

Cores, Peripheries, and Globalization



Edited by Peter Hanns Reill and Balázs A. Szelényi

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CORES, PERIPHERIES, AND GLOBALIZATION

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Essays in Honor of Ivan T. Berend

Edited by
Peter Hanns Reill
and
Balázs A. Szelényi



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Preface and Acknowledgements

This volume honoring Ivan T. Berend had its origins in a two day conference organized by Robert Brenner, Peter Reill and Balázs Szelényi to celebrate Prof. Berend's 75th birthday. From there it grew into the present volume after the editors thought it worthwhile to expand the scope of the conference and invite other eminent scholars to contribute to the volume. The response was great and the new essays did much to expand the topics covered in the conference and to include other and sometimes competing scholarly positions and approaches. The original conference was organized by UCLA's Center for Seventeenth- and Eighteenth-Century Studies with help from UCLA's Center for European and Eurasian Studies. It was held at UCLA's William Andrews Clark Memorial Library. The editors would like to thank the very helpful staff of the Center for Seventeenth and Eighteenth-Century Studies and the Clark Library who helped make the conference a great success. We also would like to recognize the outstanding editorial work provided to us by Ellen Wilson, whose suggestions were always to the point. She helped enormously to shape the volume. Finally, we would like to acknowledge the major role played in publishing the volume by the Central European University Press and especially by Linda Kunos who served as our point person in the book's publication. CEU Press responded quickly to our proposal, read the manuscript carefully and quickly and produced it with dispatch and elegance. Though the conference celebrated Ivan Berend at 75, the publication will appear as he is about to turn 80. It is our small way of saying thank you to a major scholar of the modern period.

Peter Hanns Reill

Balázs Szelényi

Introduction

Over the past few years, globalization has become an extremely contentious concept, capable of fomenting violent discussion and even political action as the protests and riots at meetings of the World Trade Organization and the European Union have demonstrated. Though generating much heat, the concept itself is vague, with often contradictory meanings. What is globalization? When did it begin? What governs the relations between economic and social units within a globalized system and how can these relations be determined? To what extent is globalization a product of unchecked capitalism? Can globalization's negative effects be alleviated by modifications within capitalism or not? If not, then by whom will needed modifications be introduced and what form will they take? These are just some of the questions that perplex those who seek an understanding of the phenomenon, an understanding which obviously has direct policy and political implications. The essays in this volume cannot give direct answers to these questions. They do, however, place the debate in a broader and more vital context that locates globalization within an analysis of its essential dynamics—economic, social, political, and cultural—between metropolitan areas and their peripheries. As Herman van der Wee remarks in his essay: “‘Core’ and ‘periphery,’ considered in economic terms, are more complex than ‘globalization.’ They are linked with the concepts of ‘dependence’ and ‘interdependence,’ ‘equality’ and ‘inequality.’”

Research on cores and peripheries has centered on the central question of the nature of relations between developed areas and nations, underdeveloped ones, and others that sometimes are called emerging. The possible answers have been bracketed and influenced by two contrasting “master” narratives of societal and economic development, one derived from contemporary interpretations of Adam Smith's economic philosophy, usually labeled neo-liberalism, the other inspired by concepts drawn from Marxist philosophy and called dependency theory.

Neo-liberals believe that a linear, unitary social and economic process unites all areas involved in reciprocal trade relations leading to an ever increasing and expanding spread of economic, political, and social well-being. Robert Brenner summarizes this stance as follows: “Smith argued that economic growth takes place as an expression of people’s rational self-interest, as well as their inherent tendency to relate/communicate with one another, captured in the ‘natural tendency to truck and barter.’ This leads individuals, if left unimpeded by exogenous forces, to seek to exploit the gains from trade to the greatest extent possible. The resulting specialization, people doing what they do best, in response to market opportunity makes for ongoing economic growth, so long of course as economic agents are not prevented from giving full vent to their rational egoism by politically constituted barriers to free production and exchange.” At its simplest, this theory predicts an overall development, in which raising the standard of living in core areas by a commitment to free trade will also, necessarily, bring about standard-of-living increases in the peripheral areas that trade with the core. Thus core expansion drives improvement for the peripheries, leading to a sharing of prosperity’s benefits—higher standards of living, democratic government, and the creation of a cosmopolitan-minded concert of interlinked nations. This interpretation supports traditional ‘modernization theory’ and generally provides the justification for supporting globalization today.

Dependency theory offers a completely opposing view. Here, exchange between center and periphery within a world economic system leads to increasing disparities, thereby forging ties of dependency between core and periphery that remain untouched by increases of the standard of living in the core. Instead of spreading prosperity, as the neo-liberals believe, the expansion of economic exchange leads to the impoverishment of the many and the enrichment of the few. The privileged core expropriates both the riches (usually natural resources) and labor (sometimes in the form of slavery) of the periphery, plundering it of its own resources to feed the core’s ever growing desires. Dependency theorists all agree, as Daniel Chirot herein remarks, that the world capitalist system has consisted of “a rich, developed, technologically sophisticated core and a poor, backward, systematically exploited and disadvantaged periphery that exported low-technology primary products.” Inspired by Marxist thought but refined and modified

by theorists such as Raúl Prebisch, Immanuel Wallerstein, and Andre Gunder Frank, this approach has been enshrined in programs that emphasize the need for the “third world” to modify the spread of a single globalizing capitalism directed by the core to the detriment of the periphery. In its strongest form, the approach asserts that development for all is impossible in the existing world system. As Immanuel Wallerstein observes, “It follows from the linear model that ultimately, all zones (or countries) of the world-system will converge to an approximately equal standard of living, and also to similar political and cultural structures. It follows from the polarizing model that the opposite is much more likely, that over time the differences among the zones (or countries) will increase.” It is no surprise, then, that the polarizing model, that is, dependency theory, has had an enormous impact on those who oppose globalization, who see in its language of prosperity for all, a masking of the fact that the globalizing practices of today will perpetuate the dependency of peripheral states upon the capitalist core.

In their pure forms, neo-liberalism and dependency theory present competing world views based upon broad interpretations of historical dynamics in which the particular is subsumed to the general. Both theories, according to Joseph Love, offer visions of “a single system, hegemonically organized.” Both also believe that development is a law-like process driven by rational mechanisms that ensure that all nations will follow a single path, with few opportunities for deviation; that the universal nature of the operating systems guarantees certain results unless it is impeded by accidents exogenous to the system, such as weak leadership, corruption, or, in Chirot’s terms, “bad governance.” Hence both theories tend to prescribe, even to impose, predictable, universal answers for all regions, regardless of specific historical conditions and experiences. Theoretical allegiance determines practical policies, or has up until now. Thus, in instances when proponents of each world view achieved control of a society, they, in the first blush of victory, attempted to impose uniform and universal programs for these societies. For example, when supporters of dependency theorists achieved control in Eastern Europe after the Second World War, they erected a closed, state-controlled socialism (a similar story unfolded in India and areas of Latin America). Then, when the East European system failed and fell in 1989, triumphant neo-liberals, in turn, imposed Smithian-style, theoretically determined policies in the same regions, without

taking existing customs into account. In both cases the consequences deviated significantly from the intended ends, resulting in great individual hardship and no marked improvement for most of the peripheral societies subjected to these grand experiments.

Clearly, neither theoretical model has adequately predicted actual on-the-ground experience over the last thirty or so years. In some cases empirical evidence firmly supports dependency theorists, in other cases neo-liberal views. According to van der Wee “the periphery in the past has not been condemned to permanent economic immobility or to increasing impoverishment. The core has never been able consistently to maintain its economic power and predominance. Shifts have occurred always and everywhere. Cores regularly have become peripheries and vice versa.” Chirot agrees and concludes that it “should by now be perfectly clear that the argument between those who accept some version of dependency theory and those who do not cannot be resolved by an appeal to empirical proof. There are enough development failures in the poor parts of the world to support claims that the cause must lie somewhere in the nature of the dominant capitalist world system and likewise enough successes to support the belief that inclusion in that system is the surest way out of poverty.” These results have led an increasing number of scholars to attempt to mediate between dominant theory and empirical reality, seeking some sort of middle ground between the two master narratives.

This project based upon mediation between extremes has also encouraged scholars to use the concern with complex core–periphery relations to forge new analytic tools for investigating history. Jürgen Kocka believes that the “core–periphery concept seems to lend itself well to comparative analyses. It is interested, first and foremost, in identifying similarities and differences between the core countries of Western Europe and the nations of the European periphery [...] with respect to economic advancement or backwardness, and with a special emphasis on industrialization.” One of the weaknesses in past analyses of core–periphery relations has been the tendency to see the relationship as unidirectional, with active cores influencing rather passive peripheries. The newer, more flexible approach to the dynamics between core and periphery allows for influences moving in both directions, and thus for true comparative narratives based upon mutual exchange as well as interaction. Immanuel Wallerstein is trying, meanwhile, to develop a new

method by which these interactions can be judged and combined into a synthesis that will transcend the strictures of pure dependency theory. Such interpretive practices and methodological refinements are introducing a new suppleness to the evaluation of the dynamics of the core-periphery relationships and to the framing of policy prescriptions in our present globalizing era. One of the most important scholars to pioneer this pragmatic and highly productive appreciation of the core-periphery problem has been Ivan T. Berend to whom these essays are dedicated.

* * *

Ivan Berend, like many of the leading theorists of the core-periphery problem, came to the issue from the periphery. He was born in Budapest in 1930 and lived for fourteen years in the atmosphere of a lower-middle-class Jewish family until the Nazi takeover of Hungary destroyed his family and wrecked the society that had nurtured him. Berend was deported in 1944 to the concentration camp at Dachau, where he barely escaped with his life. After the end of the war, he returned to Hungary, completed his secondary education, entered the university, and quickly teamed up with the man who was to become his close friend and academic collaborator, György Ránki. Berend worked with Ránki until the latter's untimely death in 1988. The collaboration produced an important and extensive collection of revisionist works on economic history, elevating the two men to the front ranks of the international community of economic historians.

Berend and Ránki both started out as dependency theorists critical of nationalist interpretations of Hungarian economic history. Through painstaking analyses of a vast array of virtually untouched documents, they came to understand the complex workings of the Hungarian economy and its place within a larger region on the periphery of Europe. Their researches led them to modify their original commitments to dependency theory and to traditional Marxist assumptions about the relationship between the informing "base" and the reflecting "superstructure." In the process, Berend and Ránki were increasingly influenced by the theoreticians of German Social Democracy, especially Eduard Bernstein, Karl Kautsky, and Rudolf Hilferding, and by the writings of, and their personal connections to Western scholars such as Moses Abramowitz, Alexander Gerschenkron, Joseph Schumpeter, Simon Kuznetz, Alfred Chandler, Immanuel Wallerstein, and Eric J.

Hobsbawm. Inspired by these readings of history, by their travels to the West, and by their own researches, Berend and Ránki rejected the extreme positions of dependency theory without adopting the competing neo-liberal, “Smithian” position. Thus, they reached the conclusion that the relations between cores and peripheries cannot be evaluated solely by reference to economic theory. They argued that a complete evaluation of the culture, politics, and social structure of a peripheral nation or area, of its “social capability,” is necessary to understand whether interaction with the core might be of benefit.

The publications that issued from their joint efforts and also from their individual researches were many and influential, for they questioned all of the dominant assumptions concerning the economic and social history of Hungary, and of Central and Eastern Europe. Berend and Ránki quickly became recognized as leaders in reinterpreting the economic history of these peripheries and of the relationship between them and the European core. Their standing was sealed with the 1982 translation and publication of their book *The European Periphery and Industrialization: 1780–1914*, and it was reinforced by the appearance in 1987 of their *Economic History of Nineteenth-Century Europe*. Both of these works presented broadly based comparative histories that dealt with various regions and analyzed not only the different routes taken by each on the road to industrialization, but also the various cultural, political, social, and economic factors that led to success or failure.

But Berend was not content to challenge the establishment by his scholarship alone. Convinced that historical research could and should serve the end of improving society and reinforced by his hard-earned international renown, Berend carved out a political space from which he was able to argue for a liberalization of Hungary’s economic, social, and academic structures. In 1973 he was chosen rector of Hungary’s Economic University, despite opposition from leading hard-line conservatives in the regime and university. This accomplishment was followed in 1979 by his election, first to full membership in Hungary’s most important and influential academic institution, the Academy of Sciences, and then, in 1985, to its presidency. As president of the Academy, Berend was able to implement wide-ranging reforms directed to moderating the strictures of Soviet social and economic policies. His position enabled him to establish a network of connections that supported his endeavors, both in terms of practical politics and innovative scholarly

interpretation. His achievements were quickly recognized by prominent scholars in the world, leading to his election to numerous foreign academies of science, to his selection as vice president of the International Economic History Association, to his appointments as co-chair of the George-Soros-Hungarian-Academy Foundation and as director of the Institute of East-West Studies, and to his election in 1995 as president of the International Committee of Historical Sciences.

Despite his administrative burdens and the frustrations generated in the fight for the liberalization of Hungarian society, Berend was able to continue his enormous scholarly output. When he emigrated from Hungary to the United States in 1990, joining UCLA's Department of History, his production increased, even though he was now required to write in English. Writing in a second language was no easy task for someone who gloried in his native Hungarian language, which he had mastered with grace, sophistication, and precision. Yet during his American phase, Berend has published an enormous and extremely important *oeuvre* highlighted by four volumes that chart the economic and social transformations of Central and Eastern Europe from the late eighteenth century to the present. These volumes carry suggestive, self-explanatory titles: *History Derailed*, which covers the "long nineteenth-century"; *Decades of Crises*, which explores the period between the end of the First World War and the end of the Second; *Detour from the Periphery to the Periphery* (1944–1993); and *From the Soviet Bloc to the European Union: Economic and Social Transformation of Central and Eastern Europe, 1973–2006*. All demonstrate the qualities that are a hallmark of Berend's meticulous scholarship: an openness to differing interpretations guided by the realization that, as Chirot comments, "no single theoretical stance is entirely adequate to explain the past or the present"; a commitment to empirical evidence; a deeply felt concern for the human condition; a belief in individual freedom and tolerance; and an optimistic hope that writing history as clearly, openly, and impartially as possible will help us master the world in which we live. It is for these reasons that Berend has been able to appeal to scholars from different national traditions and from radically different ideological perspectives, demonstrated in a small way by the panorama of positions, approaches, and countries represented in this volume.

The first of the three sections in the present volume deals with the theoretical origins and implications of the core-periphery debate. Here, Joseph Love describes the important contributions made by the Argentine theorist Raúl Prebisch to the construction of dependency theory, to its diffusion (especially through organs of the United Nations), to its crises, reformulation, and decline. Jean Batou utilizes one of the possible strains of dependency theory in his examination of the dispute over the role played by slavery in the formation of modern capitalism. He provides a capsule summary of the contours of the debate and tries to mediate between those who see a direct causal relation between slavery and the Industrial Revolution in England and those who consider slavery exogenous to industrialization's development. Daniel Chirot offers a critical reading of dependency theory and also of the linkage of slave production to the creation of capitalism. He provides a coherent analysis of dependency theories, of their formulators and the genesis of their intellectual positions, concluding that dependency theory, once considered the wave of the future, very soon led to a dead end. Immanuel Wallerstein rounds out this section on the discussion of core-periphery theory with a research proposal he believes will better help in evaluating the merits of each approach. He identifies certain "crucial nodes of social activity or organization," advocating the study of each node or cluster with reference to the core-periphery debate, in order to understand the manner in which these clusters interact, so that an overall picture of the possibilities and limits of the modern world-system might be obtained.

Though these writers often disagree about the relative merits of dependency theory and neo-liberalism, they do share an important position: they all reject a purely theoretical approach to the problem. Thus they modify or reject both the simple "base-superstructure" model, which influenced dependency theory, and the idea of the "rational economic man," which informs radical neo-liberalism. All of the contributors to this section believe that economics, though important, cannot be either the sole measure of development or the sole focus of histories of that development. Rather, wide-ranging extra-economic categories such as education, political structure, scientific organization, and cultural assumptions act on economic factors and interact with them as societies change across time.

The second section focuses on the nineteenth and twentieth centuries, with excursions into the first decade of the twenty-first century. It

thus explores the era at the heart of Berend's researches. As in the first set of essays, but even more explicitly, the interaction between economy and society forms a central feature of these analyses. Looking more closely at the peripheries than the core, however, these essays show thinkers from the periphery attempting to modify some of the basic assumptions of neo-liberalism and dependency theory by turning, for example, to older concepts such as "civil society," which suggest alternative ways of conceptualizing the possibilities for peripheral advancement. By concentrating upon specific geographical areas, the essays also demonstrate the diversity within various cores and peripheries, thereby complicating the story of development and its failures. For it is clear that core areas had their own internal peripheries and peripheral ones their own cores, all interacting within the larger, overarching set of core-periphery exchanges.

Eugen Weber's essay begins this section. With his typical *élan*, Weber elucidates the dynamic of one sort of internal periphery interacting with its encompassing core. He concentrates upon the pivotal role played by small provincial towns, ignored by historians and economists alike, in transforming, during the nineteenth-century, the internal, largely peasant-populated peripheries of France into a coherent core peopled by French citizens. Jürgen Kocka in his comparative study explores the importance of the concept and practice of "civil society," the practices it engenders in the long nineteenth century, and its ability to complicate the simple relations of dichotomy often ascribed to core-periphery dynamics. Helga Schultz carries this type of analysis further in her plea for considering East Central Europe as the "other Europe," neither core nor periphery as measured by the standards of Western Europe, but with strong ties to both. Thomas David and Elisabeth Spilman concentrate on the emergence in Eastern Europe, from 1860 to 1914, of the phenomenon they term "liberal-economic nationalism." They analyze how liberal-economic nationalism sought to provide a formula for allowing the peripheries of Eastern Europe to catch up to the Western core through a mixture of economic liberalism with selective state control joined to a mass-nationalist discourse of exclusion. Iván Szelényi's essay ends this section by reflecting on the manner in which the concept of the *Bildungsbürgertum* was transformed by East European intellectuals from the 1970s onward to answer the need to move these peripheries closer to the European core while also mediating between communism and capitalism.

The third and final section focuses directly upon the concept of globalization: its history, its nature, and some problems it has engendered. Here, also, the authors apply empirical modifications to the grand narratives of neo-liberalism and dependency theory, yet they all insist that large-scale narratives still can illuminate historical analyses. Thus, they, along with all the other scholars contributing to this volume, criticize not only ungrounded theory but also radical attempts at historicizing data, the latter often associated with micro-history or with the influence of post-modernism on historical methodology.

When globalization began and what constitute its characteristic features have generated an enormous debate, as the contributions of Herman van der Wee, Robert Brenner, and Ivan Berend illustrate. At issue here are the definition of globalization, the account of its origins, and the evaluation of its uniqueness in modern history. Van der Wee sees globalization as a long-term development, beginning with inter-regional trade in the Middle Ages in Europe, and slowly expanding to embrace an ever-increasing number of areas, even though, in the process, shifts and displacements between cores and peripheries necessarily took place. His is a history of a *longue durée* marked by general overall improvement despite local setbacks. Brenner presents a totally different vision of the origins of true economic development. In his view, the expansion of trade, the rise of cities, and all the phenomena van der Wee sees as leading to globalization, did not change a thing; or rather, the changes did not lead to the sort of self-sustaining economic development that is the mark of a modern, capitalist society. Only with the restructuring of Dutch and English society in the seventeenth and eighteenth centuries did the major change occur that began the true history of globalization. Berend (who was asked by the editors to contribute his thoughts on globalization to this volume) joins elements of both Brenner's and van der Wee's approach. He recognizes the long history of globalization but sees contemporary globalization as something radically new, due to the effects of such novel creations as multinational corporations, international production and distribution networks, and new divisions of labor, which together have plunged us into "a brave, new economic world." Finally, Eric J. Hobsbawm investigates the decisive role of academic research science in maintaining the globalized core and enabling its further expansion. His answers are not overly optimistic. He sees very little expansion from the European

Middle Ages, when modern science was created, to the present; in fact, in his view, globalization has generated not a greater distribution of scientific activity but rather a concentration, most of which is found in the United States.

That all of the scholars in this volume agreed to debate these issues, despite their differing approaches and commitments, testifies to the high regard they have for Ivan Berend and for his scholarship. In all his activities, Berend embodies the ideal proclaimed by Moses Mendelssohn in his brief though moving description of what constitutes the best in the human species: “The destiny of a human being: to search for truth; to love beauty, to desire the good; to do the best.”

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Section 1

ORIGINS AND THEORETICAL DISCUSSIONS OF CORE-PERIPHERY RELATIONS

CHAPTER ONE

The Latin American Contribution to Center-Periphery Perspectives: History and Prospect

JOSEPH L. LOVE

The analytical framework of *center* (or *core*) and *periphery*, whose parts interact in complementary but unequal ways, has played an important role in the work of Ivan Berend.¹ This perspective on the world economy and its component parts has taken on a heightened relevance with the intensification of globalization in the 1990s, following the collapse of the Soviet empire and the formulation of the Washington Consensus. The center-periphery approach is not only useful in understanding the contemporary international economy, but is increasingly employed in economic historiography as well.

The center-periphery scheme, implying an enormous asymmetry in the global economy (and often within regional economies), is identified in the nineteenth and twentieth centuries with the division of the world into a group of industrialized countries around which is arrayed a periphery of agriculture- and mineral-exporting countries. Moreover, the notion of economically differentiated space, with its nodes and fields, is at the heart of the discipline of economic geography (with its related traditions of *central place theory* and its American cousin, regional science).² In this essay I will trace the formulation of the Latin American contribution to center-periphery analysis, its diffusion, crisis, reformulation, and decline. I further consider how center-periphery perspectives may be reincorporated into (standard) neoclassical economics.

This is a story of multiple, often independent, discoveries. The focus on the world economy as a site of imperialist expansion for the industrialized countries of the European core was developed by Marxists and others, but in the well-known literature by Hobson, Lenin, Bukharin, Hilferding, and Luxemburg, the emphasis was almost exclusively on processes occurring within an industrial and financial metropolis,

rather than within imperial or informal domains of that metropolis. However, one could find writers from peripheral regions who had more complex interpretations, using a core-periphery focus. I have in mind two in Romania: Constantin Dobrogeanu-Gherea and Mihail Manoilescu, but surely there were others elsewhere.³

Prebisch and Center-Periphery

Latin American *structuralism*, as the doctrine in question came to be known in the 1960s, and its center-periphery framework found a major platform in a United Nations agency, the Economic Commission for Latin America. This agency, best known by its Spanish acronym, CEPAL, was dominated in its early years by the ideas, personality, and programs of Raúl Prebisch (1901–1986).⁴ Since the agency was so much Prebisch's creation, we must consider his early career and formative experiences during the Depression and War years in order to understand how the CEPAL theses of 1949 crystallized. Born in the Argentinean city of Tucumán in 1901, Prebisch studied at the University of Buenos Aires, whose Department (Facultad) of Economics at the time was probably the best school of economics in Latin America.⁵ Prebisch gave early promise of a distinguished career within Argentina's economic establishment. In 1923, upon completing a master's degree in economics, he was asked to join the faculty at the university. Meanwhile, he was developing an intimate association with the elite Sociedad Rural (Stockbreeders' Association). In 1927, he published a Rural-sponsored study that became the basis for government action on behalf of stockbreeders in the foreign meat market.⁶ Prebisch also played a key role in the creation of Argentina's Central Bank—with powers to control interest rates and the money supply—in 1935. From its inception until 1943, Prebisch served as its director-general.

Before the Depression it was considered axiomatic that Argentina had prospered according to the theory of *comparative advantage*. The benefits of export-led growth, based on an international division of labor, made comparative advantage a near-sacrosanct doctrine.⁷ The twenties had been a period of disequilibrium as well as expansion in world trade, and though Argentina prospered, the country experienced the same problems as other primary-producing nations in the final

years before the October 1929 crash—namely, falling export prices, rising stocks, and debt-payment difficulties. Following Britain's departure from the gold standard, in October 1931, Argentinean authorities introduced exchange controls to try to stem the outflow of capital and facilitate the repayment of loans negotiated in hard currencies. The Depression thus brought the abandonment of many hallowed economic doctrines and practices.

In the crisis, Great Britain exploited her single buyer's position against her many suppliers. For Argentina, Britain's trading power was magnified by the South American nation's loss of dollar investments. The United States had become a major supplier of industrial goods to Argentina in the mid-1920s, but the latter had chronic difficulties in paying directly for U.S. imports with her own non-complementary exports. Therefore Argentina had depended on U.S. capital exports, but during the Depression, North American lenders disinvested in Argentina. Excluded from the U.S. market by high tariffs and other regulations, and cut off from continental markets as well in the early thirties, Argentina feared above all the loss of British market. Consequently, in 1933, Argentinean statesmen and government economists—among them Raúl Prebisch—agreed to accept Britain's guarantee of a certain level of meat purchases in exchange for Argentina's continued debt servicing and tariff reductions for British manufacturers. After war broke out in 1939, the British government played its monopsonistic position to yet greater advantage, in negotiations between the Bank of England and Argentina's Central Bank, led by Prebisch. One can easily surmise that Argentina's protracted and notorious dependence on her major trading partner left a lasting impression on Prebisch. Furthermore, the Argentinean government made great sacrifices to retain its credit rating by paying its debts, unlike other Latin American countries.⁸

The Depression not only brought about bilateral negotiations, but a series of international economic meetings as well. In 1933 Prebisch attended a gathering of the Preparatory Committee of the Second International Monetary Conference in Geneva. From Switzerland Prebisch reported to the government-sponsored *Revista Económica* that the assembled monetary experts believed that one basic blockage in the international economic system derived from the facts that the United States had replaced Great Britain as the world's chief creditor country,

and that high American tariff schedules (especially Smoot-Hawley, 1930) did not permit other countries to repay U.S. loans with exports. Consequently the rest of the world tended to send gold to the United States, and the bullion was not recirculated in the international monetary system.⁹

Returning to Argentina after the failure of the World Monetary Conference, also held in 1933, in London, Prebisch sought to understand another vexing problem wrought by the Depression—declining terms of trade. In 1934 he published an article pointing out that “agricultural prices have fallen more profoundly than those of manufactured goods,” and that, in 1933, Argentina had to sell 73 percent more than before the Depression to obtain the same quantity of (manufactured) imports.¹⁰

Despite the Depression, manufacturing in Argentina grew impressively in the 1930s and early 1940s, a fact which was recognized by contemporaries at home and abroad. In particular, the Central Bank’s *Revista Económica* noted an increase in output of 85 percent (by value) between the industrial census of 1913 and that of 1934–35.¹¹ In its annual report for 1942, the bank followed through on its changing economic emphases by championing industrialization. The report, reflecting Prebisch’s views, argued that exports and industrial development were by no means incompatible; rather, the issue was to change the composition of imports from consumer to capital goods.¹²

Prebisch the policymaker interests us less than Prebisch the emerging economic theorist who was beginning to formulate a theory of *unequal exchange*. In 1937 the *Revista Económica* noted that agricultural production was inelastic compared to industrial output, and that its products’ prices tended to rise and fall faster than industrial prices in the business cycle. The *Revista* also noted the related problem of the lack of organization of agricultural producers, and concluded: “In the last depression these differences manifested themselves in a sharp fall in agricultural prices and in a much smaller decline in the prices of manufactured articles. The agrarian countries lost part of their purchasing power, with the resultant effect on the balance of payments and on the volume of their imports.”¹³ Prebisch emphasized the high elasticity of supply of industrial production and, implicitly, monopoly, not wage contracts in the industrial countries, which were later to be a focal point of his analysis.

Prebisch was also intensely interested in the business cycle in Argentina. The Central Bank began its effort to conduct counter-cyclical monetary policy in 1937, by decreasing the public's purchasing power through the sale of bonds in that boom year; in the following period of contraction, it would attempt to expand purchasing power by lowering the rediscount rate.¹⁴ In 1939, the bank's annual report for the previous year argued that the nation's business cycles were primarily a reflection of those of its principal (industrialized) trading partners. It held that Argentina's internal credit expansion began with an export surplus, which led to additional demand for foreign goods because of exporters' high propensity to import luxury goods; when combined with heavy import requirements, the process repeatedly produced a balance-of-payments crisis in the Argentinean business cycle.¹⁵

In 1943, following the "colonels' coup" that would soon bring Juan Perón to power, military leaders dismissed Prebisch from the Central Bank, apparently because they associated him with the ranching "oligarchy." Prebisch now began to read widely in the recent economic literature.¹⁶ Returning for the moment to teaching, he prepared a series of lectures in 1944, in which he referred, for the first time, to "center" and "periphery," terms he would later make famous.

Prebisch developed an historical argument, with Britain as the nineteenth-century center of the trading and monetary system based on the gold standard. Under Britain's leadership as the cycle-generating center, Prebisch argued, the world's economic system had equilibrated gold flows and the balance of payments over the course of the cycle for both center and periphery. "Gold tended to leave Great Britain, the Center of the system, and to enter countries of the Periphery in the upswing of the cycle." Then it returned in the downswing. A problem for peripheral countries was that when gold departed in the downswing, "[...] there was no way to diminish the gold flow expected by contracting credit. [...] No one could conceive of [...] the possibility of raising the rediscount rate in competition with the monetary Center in London." Thus overall monetary stability was only maintained at the cost of economic contraction in the periphery. "The gold standard was therefore an automatic system for the countries of the Periphery, but not for the Center," where the rediscount rate could be adjusted for domestic needs. In the periphery, the gold standard had the effect of exaggerating rather than offsetting the cycle.¹⁷

Passing on to the post-World-War-I years, Prebisch concluded that New York bankers in the 1920s and 1930s did not have the knowledge or experience of the pre-war “British financial oligarchy.” Of course the world situation was dramatically different after the war. By 1930 the United States had sucked up the world’s gold. Consequently, “the rest of the world, including our country, [is] forced to seek a means of inward-directed development (*crecer hacia adentro*)”—a phrase that CEPAL would later make famous.¹⁸

The Argentinean business cycle, Prebisch continued, had depended on exogenous factors operating through the balance of payments. In the upswing, exports and foreign investment produced an influx of gold and exchange credits, creating new money and therefore imports. Such changes also expanded credit to agricultural industries; but during the downswing, because of inelastic supply, credit in the rural sector was immobilized. Additional imports were paid for with reserves, producing a monetary crisis.¹⁹

Prebisch’s interest in industrialization as a solution to Latin America’s economic problems originally arose from the desire, shared by many other Argentinean contemporaries, to make Argentina less economically “vulnerable,” a vulnerability painfully evident for the whole period 1930–45. As noted above, the Argentinean Central Bank, under Prebisch’s leadership, had begun to advocate industrialization in its 1942 report. By implication Prebisch was recommending similar policies to other Latin American governments in his Colegio de México lecture in Mexico City of 1944.²⁰ At the Banco de México (the country’s central bank) in the same year, Prebisch again noted that the period of greatest industrial development in Argentina had been the Great Depression and the times of war, periods in which the nation had to produce for itself what it could not import.²¹

In a 1944 article in Mexico’s *Trimestre Económico*, Prebisch noted that the United States, unlike Argentina, had a low propensity to import (defined as the change in the value of imports generated by a given change in the national product). He warned that this fact had potentially serious consequences, specifically, that since other Latin American countries also had high propensities to import, and since a country with a low propensity to import (the U.S.) had replaced one with a high propensity to import (Britain) as the chief industrial trad-

ing partner of the Latin American states, the postwar international trading system faced the danger of permanent disequilibrium.²²

Prebisch first used the terminology “center–periphery” in print in 1946, at a meeting of the hemisphere’s central bankers in Mexico City. He now identified the United States as the ‘cyclical Center’ and Latin America as the “Periphery of the economic system.”²³ The emphasis, as indicated, was on the business cycle, whose rhythms the U.S. economy set for the whole international system. Fiscal and monetary authorities in the United States could pursue a policy of full employment without producing monetary instability, Prebisch argued; furthermore, such authorities did not need to be especially concerned about the impact of full employment policies on the exchange rate of the dollar in other currencies. The nations of the periphery, however, could not apply the same monetary tools. Extrapolating from his 1944 argument about the Argentinean economy, Prebisch contended that the money supply in peripheral countries ought not to be expanded in pursuit of full employment, because, with a high propensity to import, any expansion of income would quickly exhaust foreign exchange, assuming no devaluation.

This 1946 statement and previous writings of Prebisch implied that peripheral countries faced three options, all with undesirable consequences: they could have strong currencies and maintain high levels of imports, but doing so would produce high unemployment; they could fight unemployment with an expansionary monetary policy, but doing so would create inflation and put pressure on the exchange rate, thus raising the cost of repaying foreign debts; or, they could use monetary policy to maintain high levels of employment, but doing so would exhaust their reserves if they failed to devalue. When prices of the periphery’s products fell during the downswing of the cycle, furthermore, governments of peripheral countries, at least in isolation, could not affect world prices for their goods as the center could for its goods. Thus equilibrium theories in international trade were not acceptable as guides to policy.²⁴ Prebisch was assaulting the policy prescriptions of neoclassical economics. His message at Mexico City reflected the pessimism then prevailing in Latin America regarding international trade as a long-term engine of growth. Even the improvement in the terms of trade of the early postwar years was widely viewed as transient.²⁵

This center-periphery framework implied a single system, hege-
monically organized.²⁶ To appreciate the significance of the concept,
we should bear in mind that the idea was still novel in the 1940s that
there was something fundamentally different about the economies of
the underdeveloped areas. The concept of “underdevelopment” as a
syndrome was itself elaborated only in that decade, chiefly after the
creation of specialized United Nations agencies in 1947–48.

The U.N. Economic Commission for Latin America (CEPAL),
which was to be the principal platform for Prebisch’s theses, result-
ed from a Chilean initiative in 1947, at the U.N. headquarters in Lake
Success, New York. The agency was approved by the U.N. Economic
and Social Council in February 1948, and CEPAL held its first meet-
ing in Santiago, Chile, in June. The chief outcome of the meeting was
a resolution calling for a study of Latin America’s terms of trade.²⁷ But
without Prebisch’s leadership, CEPAL was not yet CEPAL.

The year of the agency’s founding, 1948, seemed propitious for
obtaining Prebisch’s services: in Péron’s Argentina he was excluded
from official posts. Meanwhile, his reputation as an economist in Latin
America had been enhanced by the publication in Mexico of his *Introducción a Keynes* (1947), the first such primer in Spanish. But Prebisch
turned down the 1948 invitation to be CEPAL’s first director. Instead,
he traveled to Santiago, on an official invitation, where he wrote an
introduction to a broad-ranging economic report on Latin America,
which had been authorized at the initial CEPAL meeting.

In Santiago Prebisch elaborated his thesis on the deterioration of
the terms of trade in *The Economic Development of Latin America and
its Principal Problems*, which was published in Spanish in May 1949.²⁸
Prebisch had already formed his opinions about the direction of Latin
America’s long-range terms of trade, since he had argued in the class-
room in 1948 that the benefits of technological progress were absorbed
by the center.²⁹ Now, a new study, *Relative Prices of Exports and Imports
of Underdeveloped Countries*, authored by Hans Singer of the U.N. De-
partment of Economic Affairs, provided an empirical foundation for
Prebisch’s thesis. This work was an examination of long-term trends in
relative prices in the goods traded by industrialized and agrarian coun-
tries, and concluded that the terms of trade from the late nineteenth
century till the eve of World War II had been moving against the ex-
porters of agricultural goods and in favor of the exporters of industrial

products: "On the average, a given quantity of primary exports would pay, at the end of this period, for only 60% of the quantity of manufactured goods which it could buy at the beginning of the period."³⁰

Speaking for CEPAL in his 1949 study, Prebisch explained this finding in part by arguing that gains in productivity over the period in question were greater in industrial than in primary products, thus challenging basic assumptions of the theory of comparative advantage. Had the comparative advantage theory held, then if prices of industrial goods had fallen, this development would have spread the effects of technical progress over the entire center-periphery system, and the terms of trade of agricultural goods would have improved. But such was not the case, and Prebisch argued that the significance of this fact had to be understood in terms of business cycles. During the upswing, the prices of primary goods rise more sharply than those of industrial goods, but they fall more steeply during the downswing. In the upswing the working class of the center absorbs real economic gains, but workers' wages do not fall proportionately during the downswing. In the periphery, however, workers are poorly organized (least of all in agriculture), and therefore, the periphery absorbs more of the system's income contraction than does the center.³¹ Thus, in current parlance, Prebisch focused on the "double factorial terms of trade"—domestic labor's compensation vs. that of its foreign counterpart.

In a large CEPAL study, *Economic Survey of Latin America: 1949* (Spanish ed., 1950), Prebisch expanded these arguments in an examination of the Latin American economies from the 1880s onward. He held that there were two distinct sources of the potential deterioration of the terms of trade, namely, those from technological productivity gains in the center, and those in the periphery. He assumed the center's gains would be greater, and that if the system worked normally, these gains would, to some extent, spread to the periphery. In that case, over the long run the center's terms of trade would deteriorate, and the periphery's would improve. If the periphery's terms deteriorated, such fact would indicate that it was not only failing to share in the center's presumably larger gains, but was transferring some of its *own* productivity gains to the center.³² Since Singer's *Relative Prices* had established a deterioration in the periphery's terms, protection for industry was a *sine qua non*, if the goal was to arrest the concentration of the fruits of technological progress in the center.

The basic cause of the deterioration was the surplus labor supply and the underlying population pressure in the precapitalist, largely agricultural sector of the periphery's economy. As modern agricultural technique penetrates and reduces the size of the precapitalist sector, the *Survey* stated, a labor surplus develops. The work then adduced historical data to show that the export sector in Latin America could not absorb this surplus. Industrialization, in part to absorb the labor surplus, was the centerpiece of a policy of economic development, the *Survey* contended.³³

Another initial CEPAL argument grew out of Prebisch's observations on Argentina's import problems in the 1930s. The United States, the principal cyclical center, had a much lower import coefficient than export coefficient, and the former was also much lower than those of its Latin American neighbors. The U.S. tended to sell more to Latin America than it bought from the region, exhausting Latin American reserves and creating a tendency toward permanent disequilibrium. Such a tendency had not existed, CEPAL averred, during the time in which import-hungry Great Britain had been the principal center.³⁴

But Prebisch and the CEPAL team he organized were also interested in another dimension of the problem—monopolistic pricing at the center. The original analysis in 1949–50 laid much more emphasis on the rigidity of wages in the downward phase of the cycle than on monopolistic pricing as such, but the latter argument was there.³⁵ In any event, both wage rigidities and monopoly were assumed to be nonexistent in neoclassical trade theory. Peripheral countries did not have monopolies on the goods they offered in the world market, with rare and temporary exceptions, nor did they have well-organized rural labor forces that could resist the fall in wages during the downswing of the cycle.

The preceding analysis, taken as a whole, pointed to negative features in the periphery's economy: structural unemployment, external disequilibrium, and deteriorating terms of trade—all of which a properly implemented policy of industrialization could help eliminate. Industrialization would proceed by means of import substitution, a process already well underway in the most advanced regional economies during the interwar period.

In 1950, the year after the appearance of the "CEPAL manifesto," another United Nations economist independently made a case related to the CEPAL theses. Hans W. Singer, who had directed the U.N.

study, *Relative Prices*—the data base for CEPAL’s terms-of-trade argument—alleged that technological progress in manufacturing was shown in a rise in incomes in developed countries, while similar progress in the production of food and raw materials in underdeveloped countries was expressed in a fall in prices. He explained the differential effects of technological progress in terms of different income elasticities of demand for primary and industrial goods and in terms of the “absence of pressure of producers for higher incomes” in underdeveloped countries. Since consumers of manufactured goods in world trade tended to live in underdeveloped countries, and the contrary was true for consumers of raw materials, Singer continued, the latter group had the best of both worlds while the former had the worst.³⁶ Singer’s idea was linked to Prebisch’s, and the two ideas were quickly dubbed the “Prebisch–Singer thesis.”

In fact Prebisch had made *two* arguments, one of which was better stated by Singer, and Singer, in turn, had touched on Prebisch’s theme of contrasting degrees of labor organization in center and periphery. Prebisch’s central argument related to differential productivities in center and periphery. His other argument on disparities in import coefficients was roughly analogous to Singer’s more elegant argument on differential income elasticities, and CEPAL soon adopted Singer’s terms. Yet Singer saw the phenomenon caused by contrasting elasticities of demand for agricultural and industrial goods in the world markets, while Prebisch viewed the root of the problem as that of *factor* markets—labor and capital. In this regard, Prebisch was the forerunner of Samir Amin and Arghiri Emmanuel.³⁷

Sources for Prebisch’s Doctrine

Having sketched the main lines of Prebisch’s foundational contribution to CEPAL’s doctrine, I think it useful to digress briefly on the subject of Prebisch’s possible theoretical sources. If these alleged sources were not genetically related to Prebisch’s arguments, comparing earlier propositions and theories with his will serve to highlight the distinctive features of CEPAL’s interpretation of the international economy.

One possible source for Prebisch is the work of Alejandro Bunge, Argentina’s leading advocate of industrialization in the 1920s, and

Prebisch's former teacher at the University of Buenos Aires. Like the classical mercantilists, Bunge defended industrialization, not in theoretical but in policy terms, and saw it as a means of reducing imports to relieve pressure on the balance of payments; yet he viewed industrialization as a complement to export-driven growth more than a substitute for it.³⁸ All the same, Bunge, whose views were influenced by his studies in Wilhelmine Germany, argued that the global economy was led by what he called the *astro* (star) states, clearly a reference to an implicit center-periphery vision of the world economy, but without a theory of interaction of the two parts.

Another possible inspirer of Prebisch is Werner Sombart, the maverick of the last generation of the German Historical School of economic development. Sombart's *Der moderne Kapitalismus* was probably the first work to distinguish between center and periphery in the world economic system. Specifically, Sombart wrote: "We must distinguish a capitalist Center—the central capitalist nations—from a mass of peripheral countries viewed from that Center; the former are active and directing, the latter, passive and serving. England constituted the capitalist Center in the first half of the nineteenth century; later, in the longer period of High Capitalism, Western Europe [joined England] [...]. Finally, in the last generation, the eastern part of the United States has moved up [to the Center]."³⁹ Sombart also wrote of the 'dependence' of peripheral countries, and even of the servitude of the peasantry of the periphery, in part caused by western European capitalism.⁴⁰ But, like Bunge, he did not provide any theory of relations between center and periphery; in particular, he offered no analysis of the relation between business cycles and the international distribution of income. Years later, Prebisch did not recollect an acquaintance with Sombart's passage at the time of his initial use of the terms "center" and "periphery," but even assuming he was inspired by Sombart, Prebisch would owe little more than a striking metaphor, since Sombart only used center and periphery in a few scattered paragraphs.⁴¹ In any event, the international financial (as opposed to economic) system was already being described in center-periphery terms by 1940, and Prebisch extended the terms from gold flows to movements in the whole international economy, in the manner of Sombart.⁴²

More plausible as a direct theoretical influence than the writings of Bunge or Sombart is the work of the aforementioned Romanian,

Mihail Manoilescu who in turn was well acquainted with the center-periphery scheme of his fellow Romanian, Constantin Dobrogeanu-Gherea. The Canadian-American trade theorist Jacob Viner linked the theses of Manoilescu with those of Prebisch as early as 1950.⁴³ During the thirties and forties, Manoilescu was in fact well known in certain parts of the Iberian world, as several of his economic and political essays had been published in those years in Spain, Portugal, Brazil, and Chile. In Prebisch's own Argentina, Manoilescu seems to have had less influence than in Chile and Brazil. Clearly, there were broad similarities between Prebisch's and Manoilescu's theories of unequal exchange, which converged in the same policy prescription of industrialization, though the center-periphery framework was only implicit in the Romanian's work. It is notable that Prebisch's focus on productivities within center and periphery paralleled Manoilescu's, and that both writers shared a common theoretical perspective: the separation of the critique of imperialism from that of capitalism. Yet there were crucial differences: Prebisch believed that primary commodities' prices would continually fall relative to those for industrial goods over the long term, while Manoilescu believed the effect was instantaneous.⁴⁴ Furthermore, Manoilescu's emphasis on capital-to-worker ratios and his assumption of static costs and prices implied a static technology. By contrast, Prebisch's focus, along with that of later structuralists and dependency theorists, placed technological change at the heart of the analysis of differential productivities.⁴⁵ For Prebisch these differences in productivities of the industrial center and the agricultural periphery, combined with product and labor monopolies in the former, were the root causes of the long-term deterioration of commodity terms of trade. Thus, he seems not to have been directly influenced by Manoilescu, and there are no references to the Romanian economist's works in Prebisch's early writings. In 1977 he confirmed the absence of such an influence, though he was probably familiar with Manoilescu from the brief discussions the latter's ideas received in the late thirties, in the Argentinean *Revista de Ciencias Económicas*.

A distinguished neoclassical economist whose work probably affected Prebisch's thinking was the Swede Gustav Cassel. In a study for the League of Nations in 1927, Cassel pointed to monopolistic tendencies in the labor and manufactures markets of the industrial

West. "From 1913, a very serious dislocation of relative prices has taken place in the exchange of goods between Europe and the colonial world" owing to these monopolies, he wrote.⁴⁶ These causes of high and downwardly rigid industrial prices were to be cited by later writers in the interwar years, including Manoilescu. Prebisch was almost certainly familiar with this literature.

In fact, Prebisch's sources of inspiration were eclectic, as shown by his debt to the American trade theorist Charles Kindleberger. In 1943 Kindleberger had published two articles calling for the industrialization of agricultural and raw material producers on the basis of long-term deterioration of the terms of trade, and Prebisch was familiar with at least one of them.⁴⁷ In "International Monetary Stabilization," Kindleberger argued that the terms of trade moved against agricultural products "because of the institutional organization of production" in industry, a reference to internal and external economies and possibly to monopoly elements, and also because of differences in the elasticity of demand for agricultural and industrial products.⁴⁸ Kindleberger pointed out that an agricultural country's increased productivity in primary activities under these conditions could only raise real income if the workers freed from agriculture were permitted to emigrate or able to find employment in industry.⁴⁹ Otherwise, the terms of trade would move against the country, and it would have realized no benefit from the increased output of primary goods.

Looking ahead to the post-war era, Kindleberger foresaw disequilibria in the international trading system. A specific instance was the case of two countries with differing marginal propensities to import. For the country heavily dependent on exports and having a high propensity to import, a rise in exports could eventually produce an unfavorable balance of trade. "It may be suggested that the United States has a comparatively low propensity to import and a low ratio of exports to national income, whereas the rest of the world has a relatively high elasticity of demand for United States exports of manufactured goods and a relatively high ratio of exports to income."⁵⁰ It was possible to infer that the external imbalance was, potentially at least, a structural problem. In fact, at Prebisch's seminar on central banking in Mexico in 1944, he cited Kindleberger's thesis that the U.S. would have a persistent trade imbalance with the rest of the world because of disparities in demand elasticities.⁵¹ Kindleberger's contribution to Prebisch's

original structuralism thus seems large, though Kindleberger did not use center-periphery language.

Finally, Prebisch was a careful student of John Maynard Keynes's *General Theory of Employment, Interest, and Money* (1936), and wrote the aforementioned primer on Keynes. Like the British theorist, Prebisch viewed government intervention in the economy as necessary to correct market failures. He also believed that Keynes's fiscal and monetary policies to achieve full employment were appropriate, but only for the center, not for the periphery.⁵²

In any case, CEPAL's theses, from their initial appearance in 1949, were hotly contested by neoclassical trade theorists, such as Viner. In particular, the terms-of-trade thesis came under severe attack, as the validity of the data was challenged on a variety of grounds.⁵³

Diffusing the Doctrine

Through CEPAL, its seminars, courses, and publications in Santiago and other cities of Latin America, as well as the activities of CEPAL economists in national finance ministries, Prebisch projected his views on center-periphery relations throughout the region in the 1950s and early 1960s. He did the same on the world stage from 1964 to 1969, as the first Secretary General of UNCTAD, the U.N. Conference on Trade and Development. A permanent structure to deal with trade issues was approved at the first meeting of UNCTAD. Prebisch and Władysław Malinowski, a U.N. official from Poland, were most responsible for establishing UNCTAD as a permanent U.N. organization, rather than a one-off conference.⁵⁴ This organization, in Prebisch's view, was to be "activist, not policy-neutral."⁵⁵

Prebisch's reports at the first two UNCTAD conferences (1964, 1968) reflected CEPAL's analysis of world trade. Prebisch's reports to UNCTAD, if not *cepalismo* whole cloth, mainly consisted of global adaptations of the regional agency's program as it had evolved by the early 1960s. First of all, the world was divided into "centers" and "peripheries."⁵⁶ Secondly, the secular deterioration of the terms of trade of agriculture and mineral exporters was affirmed as a fact, presumably to the displeasure of First World representatives, who doubted or denied the existence of secular deterioration.⁵⁷

Following UNCTAD's first conference in 1964, Prebisch was optimistic about the prospects of the new organization, reiterating his view that the underdeveloped countries could close the "trade gap" through future industrial exports. Perhaps the greatest reason for optimism, thought Prebisch, was the constitution of a new force within the Third World contingent in UNCTAD, namely, the "Group of 75," which by the end of the first meeting at Geneva had become the "Group of 77."⁵⁸ This political alliance, he believed, could exercise real pressure in pursuit of its members' interests in the years to come. In fact, the G77 soon became a permanent entity, and, over time, it organized chapters in other international organizations.⁵⁹

Encouraged by what seemed to be a strong showing of Third World unity and determination, Prebisch became an itinerant preacher spreading the UNCTAD gospel. He took his message on unequal exchange between center and periphery to Africa and Asia, as well as to Latin America. Between 1964 and 1969 he logged 600,000 miles, giving speeches and meeting heads of government and their ministers. On the force of his ideas and personality, Prebisch attempted to strengthen and expand the Group of 77 as an effective voice on trade and development. In this he succeeded, in that the considerable majority of the G77 nations supported Prebisch's "Generalized System of Preferences"; by this protocol, later approved by UNCTAD as a whole, the industrialized nations would suspend the most-favored-nation provisions of GATT in order to lower tariffs on new industrial exports from the countries of the developing world.

Beyond UNCTAD, Prebisch played the leading role not only in founding the G77, but in initiating the process that would result in the "Declaration on the Establishment of a New International Economic Order" (NIEO) by the U.N. General Assembly in 1974.⁶⁰ The document consisted of twenty broadly stated demands, mostly derived from previous UNCTAD policy statements, but often radicalized. These included "sustained improvement in the terms of trade for primary products"; favorable terms for obtaining financial transfers for Third World nations; a reform of the international monetary system; increased preferential treatment for less-developed countries in trade agreements; and regulation of multi-national corporations by all states which claimed "sovereign equality."⁶¹

Structuralism's Crisis and Transformation into Dependency Theory

Yet already by the 1960s the structuralist analysis was in crisis on its home ground, Latin America. The decline began with CEPAL's own doubts, in the latter 1950s, when the institution noted that industrialization through import substitution, the centerpiece of CEPAL's development policy, was not working as the agency had anticipated.⁶² The import requirements of industrialization in the more advanced regional economies were expanding more rapidly than national output, thus making them more, rather than less, dependent on international markets. Furthermore, in the 1960s, growth was fitful, and national markets seemed to be hitting "demand ceilings" for durable goods, owing in part to the inequality in income distribution, as structuralists saw it.

Another problem of industrialization was its failure to offer a sufficient numbers of jobs, as both population growth and rates of rural-urban migration in Latin America hit record rates around 1960, a situation that vastly expanded the employment problem. Sluggish and even negative growth in Argentina, Brazil, and Chile in the 1960s contributed to coups d'état in Argentina and Brazil in the 1960s, and in Chile in 1973. In the first two countries military dictatorships would extend into the 1980s, and in Chile, into the 1990s.⁶³ These regimes turned to orthodox, "monetarist" policies, and explicitly or implicitly rejected structuralism. Related developments, including the United States' greater friendliness toward military regimes under Presidents Johnson and Nixon, helped bring about a reassessment of structuralism that in turn led to dependency theory.

The essential elements of dependency were 1) a characterization of modern capitalism as a center-periphery-relationship between the developed, industrial West and the underdeveloped, technologically backward Third World; 2) the adoption of a system-wide historical approach, and the consequent rejection of Boekean dualism and Parsonian modernization theory; 3) the hypothesis of unequal exchange, as well as asymmetrical power relations between center and periphery; and 4) the assertion of the relative or absolute nonviability of a capitalist path to development, based on the leadership of the national bourgeoisies of the Latin American nations.

Of the numerous contributors to dependency theory (including Prebisch himself), of special note is the Brazilian structuralist Celso Furtado, who, though ten years younger than Prebisch, had joined CEPAL shortly before the Argentinean economist. Furtado's critical contribution involved moving structuralism from a cyclical analysis to a fully historical perspective, that is, one that understood all economic phenomena as occurring in a single continuous pattern, as well as *linking* development and underdevelopment as interrelated processes.⁶⁴ Thus Brazil, for example, could not emulate Britain in its path to development, because twentieth-century Brazil faced a world economy radically different from that confronted by nineteenth-century Britain. Furtado introduced these two departures from the original structuralist analysis in 1959, and developed them in the following decade.⁶⁵ Determining where structuralism ends and dependency begins is something of an arbitrary process, but Furtado and other CEPAL structuralist economists who embraced dependency theory did not frame their work in a Marxist paradigm.

Other dependency-influenced writers associated with CEPAL, especially the Brazilian sociologist Fernando Henrique Cardoso and the Chilean economist Osvaldo Sunkel, further developed the dependency perspective. Cardoso, the future president of Brazil, set it in a Marxist framework.⁶⁶ But for the Anglophone world in the late 1960s and early 1970s, dependency was radicalized and popularized most effectively by Andre Gunder Frank. He too was participating in the seminars in Santiago, the crucible of dependency theory, just as it had been of Latin American structuralism. Frank's arresting phrases, "development of underdevelopment," "lumpenbourgeoisie, lumpendevelopment," and "metropolis and satellite"—his version of center and periphery—made for a lively read. Furthermore, his conviction that underdevelopment deepened as time advanced made him an enthusiastic supporter of the Cuban Revolution. Like other dependency writers, including Johan Galtung, who was in Santiago in the 1960s, Frank saw capitalism developing in historical stages, and in his view each stage was based on period-specific forms of monopoly.⁶⁷

Frank and Furtado were both frequently cited by Immanuel Wallerstein in his two celebrated 1974 studies concerning what he called the "modern world system."⁶⁸ Wallerstein's dependency-suffused scheme,⁶⁹ unlike the Latin American variety, focused on the center

(for Wallerstein, the core). In Britain, in 1979, the economist Dudley Seers, after his earlier association with CEPAL, while working with others, applied a core–periphery approach in *Underdeveloped Europe*.⁷⁰ Three years later, Ivan Berend and György Ránki, his fellow economic historian, took a long-term view of core–periphery relations in Europe, having borrowed the terms from Wallerstein.⁷¹

The impact of Latin American structuralism and dependency on development theory in peripheral Europe is the subject of recent essays of mine, dealing with Spain, Portugal, and Romania.⁷² Structuralism’s influence in these countries was strongest in the 1950s, and Dependency in the 1970s, as elsewhere. Yet in the latter decade it is difficult to separate them, as is indicated in a tribute to Prebisch by the Egyptian economist Samin Amin, in *Accumulation on a World Scale* (1974):

There can be no doubt that the first edition [of this work] did not do justice to the debt I owe, along with all concerned with nonapologetic study of underdevelopment, to the Latin American writers on the subject. Raúl Prebisch took the lead in this field, and I have shown in this book that the theory of unequal exchange was founded by him, even if the conjunctural context in which he set it, in his first version, has lost its significance. It is also to the United Nations Economic Commission for Latin America, of which he was the moving spirit, that I owe the essence of the critical theory to which I adhere...⁷³

The Broader Crisis in Development Economics and its Potential Resolution

Although dependency theory gained traction in the early 1970s among First-World political scientists and sociologists, it had far less impact on neoclassical economists. Structuralism, by contrast, was at least “respectable” enough to be widely discussed, if often vigorously opposed, by Western economists. But Latin American structuralism was one version of a broader class of early development theories—called “high development” by Paul Krugman—that assumed that rapid economic development could occur in Third World countries by taking advantage of increasing returns, generated by expanding markets and internal and

external economies of scale. By the late 1960s, however, the economics profession was demanding greater standards of formalization and rigor. Since increasing returns implied imperfect competition, the problem was that no one had succeeded in modeling imperfect competition as a form of market organization. In Krugman's words, "the result was that development economics as a distinctive field was crowded out of the mainstream of economics. Indeed, the ideas of 'high development theory' came to seem not so much wrong as incomprehensible," because it couldn't be mathematically modeled.⁷⁴ The same problem occurred with economic geography, which also assumed increasing returns.

Before 1990, the standard explanation of economic growth was that of Robert Solow, whose independent variables included only labor and capital. Yet in empirical regressions the two together "explained" less than half of measured growth, leaving technology in a black box (the "residual"). In recent years, however, the theoretical problem appears to have been solved, chiefly through the work of Paul Romer. His model of economic growth, published in 1990, incorporated technology (and therefore new knowledge), rather than seeing it as exogenous.⁷⁵ Romer showed how bringing in technology could explain the widely observed phenomenon of increasing returns, contrary to the standard assumption of constant returns, used by Solow. This was the case because technology raises total output through positive externalities without any obvious limits. The Romer explanation potentially offers the necessary theoretical foundation to reincorporate economic geography, with its spatial and structural differentiation, into mainstream economics. Hence, center-periphery models might aspire to a legitimate status in standard economic theory. Romer demonstrated what Raúl Prebisch could only assume: that technological progress was the chief element in raising productivity in modern capitalism.

Meanwhile, for a number of reasons, as wide-ranging as the perceived failures of import-substitution industrialization in the 1960s to the collapse of the Soviet empire and the USSR itself in 1989–91, Structuralism had lost its appeal in Latin America and elsewhere.⁷⁶ On the defensive, CEPAL retained its decades-old interest in the relationship between growth and equity in Latin American societies, but it quietly abandoned its signature center-periphery framework in 1990, the same year that Romer's landmark paper seemed to make such a perspective potentially "respectable."⁷⁷ In any event, the Harvard

economist and historian Jeffrey Williamson and his numerous collaborators, along with other leading econometric historians, now use a core-periphery framework in studying the world economy; otherwise, they employ the standard tool kit of neoclassical economics.⁷⁸ It seems that geography and history (the timing and intensity of change) matter, even in economics.

Conclusion

In this essay we have considered the Latin American contribution to center-periphery analysis by tracing the origins and development of Latin American structuralism. Prebisch's theorizing began in the orthodoxy of pre-Depression central banking, but was transformed as the Depression persisted. His ideas were eclectic, and he owed something to Keynesianism, neoclassical trade theory, and, more remotely, to the German Historical School. The Prebisch-Singer thesis on deteriorating terms of trade was both simple and persuasive in Latin American and Third World milieu. It owed its impact not only to its relative simplicity and its apparent empirical verification, but also to Prebisch's platforms in the United Nations—CEPAL and then UNCTAD—as well as to his skills as an international bureaucrat and diplomat.

Structuralism declined when its chief policy recommendation, industrialization, seemed to founder. In the crisis, structuralism metamorphosed into dependency theory, and gained new adherents in Latin America and beyond. Dependency theory, however, offered no consistent and practical program for development, and at the policy level it was only influential in Allende's Chile (1970–73).

Given the transformation of the world economy after the collapse of the Soviet empire, the center-periphery framework of structuralism was increasingly ignored by both political leaders and professional economists in Latin America. Struggling to remain relevant, CEPAL abandoned its center-periphery analysis to focus on the relationship between equity and growth. Contemporaneously, Paul Romer and others advanced a theory of growth that included technology as an explanatory variable. This achievement opened the way to incorporate economic geography into “standard” neoclassical economics, and potentially legitimized a center-periphery framework within that

subdiscipline. The center–periphery perspective is increasingly employed in econometric history to study world trade and the process of globalization, past and present.

NOTES

¹ For example, see *Central and Eastern Europe 1944–1993: Detour from the Periphery to the Periphery* (Cambridge: Cambridge University Press, 1996); *The European Periphery and Industrialization 1780–1914* (Cambridge: Cambridge University Press, 1982).

² The core–periphery scheme has its distant roots in *The Isolated State* (part I, 1826) by the German economist J. H. von Thünen. I make no claims about direct descent, but von Thünen’s work and later that of Alfred Weber were the antecedents of *central place theory*, developed by Walter Christaller and others in the 1930s.

³ The Marxist Constantin Dobrogeanu-Gherea, writing before World War I, foreshadowed post-1945 center–periphery thought, dependency theory, and modes of production debates in Third World forums and academies. Gherea presented a core–periphery framework for understanding industrial capitalism and its agrarian dependencies on a world scale; a system-wide historical approach; and the assertion of the nonviability of a capitalist development in Romania led by local Romanian elites, at least in the longer run. See Love, *Crafting the Third World: Theorizing Underdevelopment in Rumania and Brazil* (Stanford, Calif.: Stanford University Press, 1996), ch. 3.

Manoilescu made a frontal attack on the existing international division of labor and argued that labor productivity in “agricultural” countries was intrinsically and measurably inferior to that in “industrial” countries—so categorized by the composition of their exports. He did not hesitate to call agricultural countries “backward,” contending that surplus labor in agriculture in such nations should be transferred to industrial activities. Unlike Gherea, Manoilescu did not use center–periphery terminology, but he was probably influenced by Gherea’s view of international capitalism (“global” vs. “local” economies). Manoilescu denounced the international division of labor and the classical theories of trade that recommended to agricultural nations that they continue to channel their labor force into areas of what he considered inherently inferior productivity. New industries should be introduced as long as their labor productivity was higher than the national average. See Love, *Crafting the Third World*, ch. 5.

⁴ Comisión Económica para América Latina.

⁵ In 1918, Luis Gondra introduced South America’s first course in mathematical economics at the University of Buenos Aires. Gondra et al., *El pensamiento económico latinoamericano: Argentina, Bolivia, Brasil, Cuba, Chile, Haití, Paraguay, Peru* (México, D.F.: Fondo de Cultura Económica, 1945), 32.

- ⁶ Prebisch's study offered statistical proof that the meat pool's interference in the market had been beneficial for British packinghouses, but not for Argentinean cattlemen. See Prebisch, "El régimen de pool en el comercio de carnes," *Revista de Ciencias Económicas* 15 (December, 1927): 1302–21.
- ⁷ In the words of Carlos Díaz-Alejandro, "From 1860 to 1930 Argentina grew at a rate that has few parallels in economic history, perhaps comparable only to the performance during the same period of other countries of recent settlement." Díaz Alejandro, *Essays on the Economic History of the Argentine Republic* (New Haven: Yale University Press, 1970), 2.
- ⁸ Only petroleum-rich Venezuela had retired its foreign debt completely.
- ⁹ Prebisch, "La conferencia económica y la crisis mundial, in Banco de la Nación Argentina," *Revista Económica* 61, no. 1 (January, 1933): 1, 3. Another reason for U.S. absorption of the world's gold supply was the overvaluation of the pound sterling when Britain returned to the gold standard in 1925.
- ¹⁰ Prebisch, "La inflación escolástica y la moneda argentina," *Revista de Economía Argentina*, ano 17, 193 (July, 1934): 11–12, and 194 (August, 1934): 60.
- ¹¹ D. M. Phelps, "Industrial Expansion in Temperate South America," *American Economic Review* 25 (1935): 274; *Economic Review* [Eng. tr. of *Revista Económica*], series 2, 1, no. 1 (1937): 69.
- ¹² Banco Central de la República Argentina, *Memoria...1942* (Bs. As., 1943), 30–31.
- ¹³ *Economic Review*, series 2, 1, 1 (1937): 26–27.
- ¹⁴ Rafael Olarra Jiménez, *Evolución monetaria argentina* (Bs. As., 1968), 13.
- ¹⁵ Banco Central, *Memoria...1938* (Bs. As., 1939), 5–8; Prebisch to author, Washington, D.C., 9 November 1977.
- ¹⁶ Interview of Prebisch by author, Washington, D.C., 10 July 1978.
- ¹⁷ Prebisch, "La moneda y los ciclos económicos en la Argentina" [class notes by assistant, approved by Prebisch], 1944, pp. 61–65, mimeo. Located at the Facultad de Ciencias Económicas, University of Buenos Aires.
- ¹⁸ *Ibid.*, 65.
- ¹⁹ Summary of "La moneda," in Olarra Jiménez, *Evolución* 76.
- ²⁰ Prebisch, "El patrón oro y la vulnerabilidad económica de nuestros países" [a lecture at the Colegio de México], *Revista de Ciencias Económicas*, ano 32, serie 2, no. 272 (March, 1944): 234; Banco Central, *Memoria...1942*, 30.
- ²¹ Prebisch, "Análisis de la experiencia monetaria argentina (1935–1943)," in Banco Central, *La creación*, 1:407. But by the 1970s, scholars determined that the period of the 1920s had been one favorable to industrial growth.
- ²² Prebisch, "Observaciones sobre los planes monetarios internacionales," *Trimestre Económico* 11, no. 2 (July–September, 1944): 188, 192–93.
- ²³ The periphery, of course, was much larger than Latin America, but the latter region was the only one in 1946 consisting largely of sovereign states, with a newly-created array of central banks. As for the United States as the center, in the immediate postwar period it accounted for about half of the world's industrial output.

- ²⁴ Prebisch, "Panorama general de los problemas de regulación monetaria y crediticia en el continente americano: A. América Latina," in Banco de México, *Memoria: Primera reunion de técnicos sobre problemas de banca central del continente americano* (México, D.F., 1946), 25–28; "Observaciones," 199.
- ²⁵ Carlos Díaz Alejandro, 'The 1940s in Latin America', MS, 1982, 39.
- ²⁶ Though the term "hegemony" did not appear in this early use of center-periphery terminology, Prebisch himself, years later, would specifically employ the word to characterize relations between the two elements of the world economy. Prebisch, "A Critique of Peripheral Capitalism," *CEPAL Review*, 1st half of 1976, 60.
- ²⁷ UN ECOSOC E/CN.12/17 (7 June 1948), 2; E/CN.12/28 (11 June 1948), 6; E/CN.12/71 (24 June 1948).
- ²⁸ English translation published by United Nations, Lake Success, N.Y., 1950. The original version lists CEPAL rather than Prebisch as author; later, the organization acknowledged Prebisch's personal authorship.
- ²⁹ Prebisch, "Apuntes de economía política (Dinámica económica)" [class notes], 1948, 96–97, mimeo. Located at the Facultad de Ciencias Económicas, University of Buenos Aires.
- ³⁰ United Nations: Dept. of Economic Affairs, *Relative Prices of Exports and Imports of Under-Developed Countries: A Study of Postwar Terms of Trade between Under-Developed and Industrialised Nations* (Lake Success, N.Y., 1949), 7.
- ³¹ CEPAL, *Economic Development*, 8–14.
- ³² CEPAL, *Economic Survey of Latin America 1949* (New York, 1951), 47.
- ³³ *Ibid.*, 79.
- ³⁴ CEPAL, *Economic Development*, 15–16; CEPAL, *Economic Survey 1949*, 20, 35–38.
- ³⁵ CEPAL, *Economic Development*, 59.
- ³⁶ H[ans] W. Singer, "The Distribution of Gains between Investing and Borrowing Countries," *American Economic Review: Papers and Proceedings* 40, no. 2 (May, 1950): 473–85 (quotation on 479). Income elasticity of demand for a good refers to the relative response of demand to a small percentage change in income, $\epsilon q/q/\epsilon y/y$, where q is the quantity demanded, and y is disposable income).
- ³⁷ Arghiri Emmanuel, *Unequal Exchange: A Study in the Imperialism of Trade*, trans. Brian Pearce (New York: Monthly Review, 1972); Samin Amin, *Accumulation on a World Scale: A Critique of the Theory of Underdevelopment*, trans. Brian Pearce (New York: Monthly Review, 1974).
- ³⁸ Alejandro E. Bunge, *La economía argentina* (Bs. As.), 2 (1928), 229–31; 4 (1930), 131; Tulio Halperín Donghi, "Argentina: ensayo de interpretación," in Roberto Cortés Conde and Stanley J. Stein, eds., *Latin America: A Guide to Economic History, 1830–1930* (Berkeley: University of California Press, 1977), 67, 115.
- ³⁹ Werner Sombart, *Der moderne Kapitalismus*, 2 vols. bound as 1 (Munich: Duncker and Humblot, 1928), vol. 1, xiv–xv. A Spanish version was published in Mexico in 1946.

- ⁴⁰ Ibid., 64; vol. 2, 1019.
- ⁴¹ In 1977 Prebisch did not recall how he came to use the terms “center” and “periphery.” Prebisch to author, 29 June 1977.
- ⁴² William A. Brown, Jr., an American economist, used the terms “center” and “periphery” in 1940 with respect to the international gold standard: “The Center countries, by the very fact of their domination of the world, can never shift to the Periphery, and the Periphery countries have to consider the sum total of their relations to this central system of [exchange] rates in determining their currency policy.” The terms do not figure in a cyclical theory, but Brown’s work was in an area in which Prebisch was reading in the early 1940s. See Brown, *The International Gold Standard Reinterpreted: 1914–1934* (New York: National Bureau of Economic Research, 1940), 2:862.
- ⁴³ Jacob Viner, *International Trade and Economic Development* (Glencoe, Ill.: Free Press, 1952) [lectures delivered in 1950], 61–64. Over the next twenty years, others in Latin America, the United States, and Romania would concur in Viner’s judgment.
- ⁴⁴ See Joseph L. Love, *Crafting the Third World*, 134–36.
- ⁴⁵ See, for example, Jorge Katz, ed., *Technology Generation in Latin American Manufacturing Industries: Theory and Case Studies Concerning its Nature, Magnitude, and Consequences* (Houndmills, England: Macmillan, 1987).
- ⁴⁶ Cassel put the larger share of blame on trade union monopolies rather than on “monopolistic combines of enterprises,” but argued that the two were mutually reinforcing. See Cassel, *Tendencies in Industry and Trade: Being an Analysis of the Nature and Causes of the Poverty of Nations* (Geneva: League of Nations, 1927), 29, 43–44.
- ⁴⁷ Kindleberger, “Planning for Foreign Investment,” *American Economic Review* 33, no.1 (March, 1943), Supplement, 347–54; and “International Monetary Stabilization” in Seymour E. Harris, ed., *Postwar Economic Problems* (London: McGraw-Hill, 1943), 375–95. Prebisch cited the latter article in “Observaciones sobre los planes monetarios internacionales,” *Trimestre Económico* 11, no.2 (July–September, 1944): 195–96, though he did so in order to contest the American’s references to the behavior of the Argentinean economy.
- ⁴⁸ Kindleberger, “International Monetary Stabilization,” 378.
- ⁴⁹ Ibid., 377, citing Colin Clark, *The Economics of 1960* (London: Macmillan, 1942).
- ⁵⁰ Ibid., 381. The writer was referring both to income- and price-elasticity (p. 380).
- ⁵¹ Prebisch in Banco Central, *La creación I*, 530–31.
- ⁵² The relationship between Prebisch’s center-periphery model and the structuralist theses of Ernst Wagemann and François Perroux is considered and rejected in Love, *Crafting the Third World*, 112, 134.
- ⁵³ The principal arguments and sources in this long debate have been summarized and evaluated by John Spraos, who concludes that Prebisch was right about long-term deterioration of net barter terms of trade for 1870–1939, but that the trend was weaker than Prebisch thought. Furthermore, for

1900–1975, Spraos concludes the data were trendless. Yet Prebisch would still argue, one assumes, that anything less than a *favorable* trend for primary products would show that the center was benefiting more than the periphery in the trading process (assuming greater technological productivity gains in the Center). See Spraos, “The Statistical Debate on the Net Barter Terms of Trade between Primary Commodities and Manufactures,” *Economic Journal* 90 (March, 1980): 107–28, esp. 126. More recent studies of long-term data have tended to support Prebisch and Singer. For an extensive review of the literature, generally supporting Spraos’s findings, see Dimitris Diakosavvas and Pasquale L. Scandizzo, “Trends in the Terms of Trade of Primary Commodities, 1900–1982: The Controversy and Its Origins,” *Economic Development and Cultural Change* 39, no. 2 (Jan., 1991): 237 (on Spraos).

- ⁵⁴ Raúl Prebisch, Interview by David Pollock, Washington, D.C., 21–23 May 1985, MS (courtesy of David Pollock). Zenon Carnapas credits Prebisch and Malinowski jointly with making UNCTAD a permanent entity of the U.N. See Carnapas, “Władysław R. Malinowski (1909–1975)” in Michael Zammit Cutajar, *UNCTAD and the South-North Dialogue: The First Twenty Years* (Oxford, UK: Pergamon, 1985), xiii.
- ⁵⁵ Edgar J. Dosman and David H. Pollock, “Hasta la UNCTAD y de regreso: divulgando el evangelio: 1964–1968,” in *Estudios Sociológicos del Colegio de México* 14, no. 48 (September–December 1998): 573–603.
- ⁵⁶ Raúl Prebisch, “Towards a New Trade Policy for Development” (New York: UNCTAD, 1964), 20–26; Prebisch, “Toward a Global Strategy of Development,” UNCTAD, Second Conference (1968), 27–28.
- ⁵⁷ Prebisch, “Towards a New Trade Policy,” 14–17. On the long debate about the validity of the deterioration thesis, see notes 55 and 79.
- ⁵⁸ Prebisch, “Towards a New Trade Policy,” 15.
- ⁵⁹ By the late 1960s, the G77 had developed a continuing institutional structure, which in turn developed chapters of the Group of 77 in the Food and Agricultural Organization (FAO) in Rome, the United Nations Industrial Development Organization (UNIDO) in Vienna, UNESCO in Paris, the United Nations Environment Program (UNEP) in Nairobi, and the Group of 24 in the IMF and World Bank.
- ⁶⁰ That the NIEO movement began with Prebisch’s efforts at UNCTAD is confirmed in standard economics textbooks on development and in a history of development theory—e.g., Michael P. Todaro, *Economic Development in the Third World*, 3rd ed. (New York: Longman, 1985), 560; Heinz W. Arndt, *Economic Development: The History of an Idea* (Chicago: University of Chicago Press, 1987), 141.
- ⁶¹ Arndt, *Economic Development*, 142.
- ⁶² CEPAL took first note of the problem in Argentina as early as 1956. See CEPAL, “Preliminary Study of the Effects of Postwar Industrialisation on Import Structures and External Vulnerability in Latin America,” in *Economic Survey of Latin America 1956* (New York: United Nations, 1957), 128, 150, 151.
- ⁶³ Although Pinochet quit the presidency of Chile in 1990, he remained commander-in-chief of the armed forces until 1998.

- ⁶⁴ See Furtado, *Formação econômica do Brasil* (Rio: Fundo de Cultura, 1959). A structuralist history of Chile was published in the same year by Aníbal Pinto.
- ⁶⁵ See Love, *Crafting the Third World*, 170–71.
- ⁶⁶ Cardoso, based in the mid-1960s at the Latin American Institute for Economic and Social Planning, a dependency of CEPAL, did explicitly employ a Marxist paradigm, as did many other dependency writers of the 1960s and 1970s. Elsewhere I have tried to show that the main source of Cardoso's *Dependency and Development*, jointly authored with Enzo Faletto, was Latin American structuralism, not Marxism. See Love, *Crafting the Third World*, 195, and Cardoso and Faletto, *Dependencia y desarrollo en América Latina* (México, D.F.: Siglo Veintiuno, 1969).
- ⁶⁷ Galtung was in Santiago in 1962–63, and maintained contact with Santiago-based personnel later. His model of imperialism cites the dependency literature, and Sunkel criticized the essay in manuscript. See Johan Galtung, "A Structural Theory of Imperialism," *Journal of Peace Research* 2 (1971): 81–117.
- ⁶⁸ Wallerstein, "The Rise and Future Demise of the World Capitalist System," *Comparative Studies in Society and History* 16, no. 4 (September, 1974): 387–415; Wallerstein, *The Modern World System*, vol. 1 (New York: Academic Press, 1974).
- ⁶⁹ In turn, Wallerstein was heavily influenced by dependency theory. Daniel Chirot and Thomas D. Hall remark, with some exaggeration, that Wallerstein's World System Theory "is in most ways merely a North American adaptation of dependency theory"; see Chirot and Hall, "World-System Theory," in *Annual Review of Sociology* 8 (1982): 90.
- ⁷⁰ D. Seers, B. Schafer, and M. L. Kiljunen, *Underdeveloped Europe: Studies in Core-Periphery Relations* (Atlantic Highlands, N. J.: Humanities Press, 1979). Seers's debt to CEPAL is evident from his article, "Los estudios sobre el desarrollo en Europa occidental," in José Molero, ed., *El análisis estructural en economía: Ensayos de América Latina y España* (México, D.F.: Fondo de Cultura Económica [Lecturas 40], 1981), 200–207.
- ⁷¹ Ivan T. Berend and György Ránki, *The European Periphery and Industrialization: 1780–1914* (Cambridge: Cambridge University Press, 1982), 8 (citing Wallerstein).
- ⁷² Love, "Structuralism and Dependency in Peripheral Europe: Latin American Ideas in Spain and Portugal," *Latin American Research Review* 39, no. 2 (June, 2004): 114–39; Love, "Flux and Reflux: Interwar and Postwar Structuralist Theories of Development in Romania and Latin America," in *History and Culture of Economic Nationalism in East Central Europe*, ed. Helga Schultz and Eduard Kubû (Berlin: Berliner Wissenschaftsverlag, 2006), 71–86.
- ⁷³ Amin, *Accumulation*, 609–610.
- ⁷⁴ Paul Krugman, "Toward a Counter-Counter Revolution in Development Theory," World Bank Annual Conference on Development Economics: 1992 (Washington, DC: World Bank, 1992), abstract. A more widely-available version of this argument is found in Krugman's *Development, Geography, and Economic Theory* (Cambridge, Mass.: MIT Press, 1995), ch. 1.

⁷⁵ Paul M. Romer, "Endogenous Technological Change," *Journal of Political Economy* 98, no. 5, pt. 2: S71-S102. Also see Kevin M. Murphy, Andrei Shleifer, and Robert Vishny, "Industrialization and the Big Push," *Journal of Political Economy* 97: 1003-1026. For a discussion of the significance of Romer's article, see David Warsh, *Knowledge and the Wealth of Nations: A Story of Economic Discovery* (New York: Norton, 2006).

⁷⁶ For a fuller exploration of the decline of Latin American structuralism, see Love, "The Rise and Decline of Economic Structuralism in Latin America: New Dimensions," *Latin American Research Review* 40, no. 3 (Oct., 2005): 100-25.

⁷⁷ See [U.N.] Economic Commission for Latin America and the Caribbean, *Changing Production Patterns with Social Equity: The Prime Task of Latin American and Caribbean Development in the 1990s* (Santiago, Chile: United Nations: CEPAL, 1990); and the report a decade later by CEPAL's executive secretary, José Antonio Ocampo, *Equidad, desarrollo y ciudadanía* (Santiago: CEPAL, 2000). Nonetheless, the Director of CEPAL continued to defend the thesis of long-term deteriorating terms of trade for agricultural goods and raw materials in the world market. See José Antonio Ocampo and María Angela Parra, "Returning to An Eternal Debate: The Terms of Trade for Commodities in the Twentieth Century," CEPAL, series *Informes y Estudios Especiales*, no. 5 (February, 2003) at <http://www.eclac.cl/publicaciones/SecretariaEjecutiva/3/LCL1813PI/lcl1813i.pdf>. Christopher Blattman, Jason Hwang, and Jeffrey Williamson argue, on the basis of an analysis of thirty-five countries for 1870-1939, that although terms of trade movements were important in explaining the slower growth of the periphery than of the core, volatility in raw materials' prices was more important than the secular terms of trade. See "The Impact of the Terms of Trade on Economic Development in the Periphery, 1870-1939," NBER Working Paper no. 10600 (June, 2005).

Yet as Latin America began exporting industrial goods, the terms-of-trade argument became less and less significant. By 2004, over 80 percent of the exports by value of Argentina, Brazil, Mexico, and Chile were industrial goods. See World Bank, *2004 World Development Indicators* (Washington, D.C.: World Bank, 2004), 200-205.

⁷⁸ Of the many studies coauthored by Williamson in this connection, among the most notable are Michael A. Clemens and Jeffrey G. Williamson, "Why Did Tariff-Growth Correlation Reverse after 1950?," NBER Working Paper 9181 (September 2002); and John H. Coatsworth and Williamson, "Always Protectionist? Latin American Tariffs from Independence to Great Depression," *Journal of Latin American Studies* 36 (2004): 205-32. The core-periphery scheme is used by several other distinguished economists in Michael D. Bordo, Alan M. Taylor, and Williamson, eds., *Globalization in Historical Perspective* (Chicago: University of Chicago Press, 2003).

CHAPTER TWO

From Plantation to Plant: Slavery, the Slave Trade, and the Industrial Revolution

JEAN BATOU

By gathering the workers under one roof, and subordinating them to one discipline, the new industrial employers were able to garner the profits of industrial co-operation and invigilation—as it were adapting the plantation model (which is why people came to speak of steel “plants”).¹

The historical role the slave trade played in the advent of industrial capitalism in Western Europe has been the subject of passionate debate, particularly after Eric Williams’s thesis, *Capitalism and Slavery*, was published in 1944.² On the eve of decolonization, Williams demonstrated how Europe had managed to profit from the exploitation of other continents in order to establish its industrial supremacy. In 2002, Joseph E. Inikori, a historian of Nigerian origin and a professor at Rochester University, published his important book entitled *Africans and the Industrial Revolution in England*.³ One year earlier, the World Conference against Racism in Durban (2001) declared the transatlantic slave trade a crime against humanity; demands for compensation, formulated by African states, have emerged from this worldwide awareness. This has led to the debate being politicized on new grounds, contributing, for example, to validating the demands to cancel Africa’s foreign debt and to raise public development aid massively.

Thus, as always, history is being solicited by very topical questions. The question at issue here takes us back to the last decades of the eighteenth century: Adam Smith then postulated that the division of labor had been indispensable for the enrichment of nations but was inconceivable without a “previous accumulation of stock,”

based on savings. Close to a century later, Marx transformed this concept in *Das Kapital* and called it from then on “the so-called primitive accumulation.” At the same time, he subjected it to a profound semantic transformation: it was now the combination of two historical processes marked by violence: 1) the drain and accelerated concentration of capital by trading, interest loans, and plundering; 2) the brutal separation of producers and their means of production. For the founder of scientific socialism, primitive accumulation had thus played “in political economy about the same part as the original sin in theology.”⁴

To what extent was primitive accumulation, particularly in the eighteenth century, strongly accelerated by the slave trade? Here is the question many historians since Marx have tried to answer. I will attempt here to synthesize the major phases of the debate by emphasizing the promising revival it has encountered in these last years. In so doing I will be giving the floor to its main protagonists.

Slavery and the Wealth of Nations

In 1729, Joshua Gee, a minister in New England, explicitly acknowledged the contributions of slavery to colonial prosperity: “All this great increase in our treasure proceeds chiefly from the labor of Negroes in the plantations.”⁵ Thirty years later, Adam Smith specified: “It is commonly said, that a sugar planter expects that the rum and the molasses should defray the whole expense of his cultivation, and that his sugar should be clear profit.”⁶ In 1858–59, the American economist and sociologist Henry Charles Carey, known for his defense of protectionism, described the slave-owning planter prior to emancipation as “a mere ‘superintendent of slaves’ for British merchants, to whom he was usually in debt.”⁷ Since then, the historian Eugene D. Genovese has backed up that judgment by analyzing the tight links established by trade capital from England, Holland, and, to some extent, France, with planters in the French West Indies.⁸ In fact, as early as 1783, the French royalist lampoonist Antoine de Rivarol went a step further by establishing the global domination of the Old World on slave labor: “It is with subjects of Africa that we cultivate America and it is with America’s wealth we trade in Asia. [...] Europe above all has reached

such a high degree of power that history has nothing to compare it with.”⁹ Finally, in 1839–41, Herman Merivale, disciple of Edward Gibbon Wakefield, even affirmed the evident solidarity between colonial slavery and the industrialization of England: “What raised Liverpool and Manchester from provincial towns to great cities? What maintains now their ever active industry and their rapid accumulation of wealth? The exchange of their produce with that raised by American slaves and their present opulence is as really owing to the toil and suffering of the Negro as if his hands had excavated their docks and fabricated their steam engines.”¹⁰ Marx was thus part of a well-established tradition when he considered “the turning of Africa into a warren for the commercial hunting of black-skins” as one of the processes of primitive accumulation which “signalised the rosy dawn of the era of capitalist production.”¹¹

We know how important Marx considered “primitive accumulation” in the process of understanding the “genesis of the industrial capitalist,” but it is important to stress that he was not alone in making this sort of connection. In the same spirit, in 1894, John Atkinson Hobson, a heterodox liberal economist known for his later book, *Imperialism, A Study* (1902), evaluated the part played by the slave trade in the advent of modern capitalism the following way: “The black population of Africa was, of course, the great reservoir for the new tropical economy of the European colonial system [...] The profits of the European companies embarking in early colonial trade were very large, for slave economy is not in itself and in all circumstances bad [...] It is for this reason that colonial economy must be regarded as one of the necessary conditions of modern capitalism.”¹² The historian Werner Sombart developed an analogous position.¹³ More recently, Karl Polanyi has even postulated that the establishment of large slave plantations by the Portuguese, the Dutch, the English, and the French, from the middle of the seventeenth century on, constituted an “epochal event as specific as the invention of the steam engine by James Watt some 130 years later.”¹⁴ The parallel is quite expressive.

These theories were also in harmony with pioneering interpretations of the British Industrial Revolution of the end of the nineteenth and beginning of the twentieth centuries, which, from William Cunningham to Arnold Toynbee to Paul Mantoux, emphasized the essential part played by the prior expansion of foreign trade.¹⁵ In 1954, Eric

J. Hobsbawm developed this argument by explaining that the relative slowdown of the production of American silver had without a doubt made necessary the development of slave plantations in order to help create new prospects and to compensate for expanding trade deficits with Asia.¹⁶ After all, as has recently been shown by Kenneth Pomeranz and Steven Topik, it was not the trade in precious metals but rather the trade in the “new drug” sugar and in the slaves needed for its production—indentured labor not being sufficient—that was the major factor in the expansion of the world market, from the second half of the seventeenth century on.¹⁷ Thus, in the middle of the eighteenth century, the share of sugar in world trade already exceeded that of cereals! The yearly consumption of sugar in England went from 2.7 kg per capita in 1710 to 10.4 kg in the 1770s.¹⁸ In 1790, 675,000 slaves were working in the French West Indies and 480,000 were working in the British West Indies.¹⁹ Jan de Vries wrote that in the seventeenth and eighteenth centuries, Europe had gone through an “industrious revolution,” stimulated by the appeal of consumer goods that were cheaper and more diverse than before, such as sugar, tea, coffee, chocolate, and tobacco—but also cotton.²⁰

From the end of the 1930s, the debate was, however, to take another turn, by establishing an immediate link between the slave trade and the Industrial Revolution, under the influence of West Indian, African-American researchers. In 1938, the pioneering book of C. L. R. James stated that France in 1789 directed two thirds of its trade towards Saint-Domingue, then amongst the most important slave-trade markets whose wealth relied on slave labor. For James, “the capital from the slave-trade fertilized [...] nearly all the industries which developed in France during the eighteenth century.”²¹ In 1944, Eric Williams systemized this theory with regard to England in *Capitalism and Slavery*.²² In his opinion, the slave trade represented one of the principal channels of capital accumulation required by the British Industrial Revolution. He was to develop this point of view in a book, less often quoted, which deals with the history of the Caribbean.²³ Twenty years ago, William Darity elaborated an econometric model to test the validity of the causal relationship between the slave trade and European industrialization, endorsed by the Caribbean School. According to him, “even a ‘least-likely test’ is unable to dismiss their central hypotheses.”²⁴

Slave Traders versus Industrialists?

In 1923, Max Weber, in his *General Economic History*, suggested a quite different interpretation, giving impetus to a distinct analysis of the historiography of relations between colonial expansion, the slave trade, and the rise of capitalism—mostly developed after the Second World War—by emphasizing the antinomy between slave-trade profits and modern capitalism: “In the period from the 16th to the 18th century,” wrote Weber, “slavery signified as little for the economic organization of Europe as it did much for the accumulation of wealth in Europe. It produced a large number of annuitants but contributed in very small degree toward bringing about the development of the capitalist organization of industry and of capitalist life.”²⁵ This analysis bears certain similarities with Joseph Schumpeter’s views on late nineteenth-century imperialism, which he considered above all, an anachronistic survival of the *ancien régime*.

In Nathan Huggins’ view, this postulated contradiction between “traditional” wealth accumulation and modern economic organization refers to a univocal vision of progress: “Shocking though it is, this human barter was truly the most stark representation of what modernism and Western capitalist expansion meant to traditional peoples.”²⁶ Paul Gilroy also stresses the fact that structures and characteristic attitudes of modernity played a role in slavery in the New World.²⁷ For example, Villiers and Duteil have demonstrated that the slave trade is one of the first economic activities to have used double entry bookkeeping, which is typical of modern capitalism.²⁸ The experience of slave plantations also led to the formalization of modern racism, which for the first time considered “the abstracted physiological characteristics of skin, colour and phenotype [...] as the decisive criteria of race.”²⁹

To sum up, “The social relations of colonial slavery borrowed from an ancient stock of legal formulas, used contemporary techniques of violence, developed manufacture and maritime transport on a grand scale, and anticipated modern modes of co-ordination and consumption. Slavery in the New World was above all a hybrid mixing ancient and modern, European business and African husbandry, American and Eastern plants and processes, elements of traditional patrimonialism with up-to-date bookkeeping and individual ownership [...]. The servitude of the slaves, imprisoned on a tiny patch of soil and forced

to devote nearly all their waking time to furnishing the conveniences and luxuries of a diverse metropolitan population, was the transatlantic complement of European economic advance.”³⁰ Marx had already shown the contradictory character of slavery in the New World, where “the civilised horrors of overwork are grafted on the barbaric horrors of slavery, serfdom, etc.”³¹

Since then, numerous works have indeed emphasized the importance of the slave trade for capital accumulation, particularly in the eighteenth century, and not only for large port cities such as Liverpool, Bristol, and Nantes. It has been demonstrated that in Switzerland, too, slavery and trade were greatly profitable to patrician families, especially in Basel, Geneva, and Neuchâtel. Did Pierre Alexandre Du Peyrou, from Neuchâtel, not make, each year, thanks to only one of his plantations in Surinam, a profit equal to a thousand times the wages of a contemporary teacher from the same town?³² At the same time, the socio-historical approach to the fortunes of the large families of traders or absentee planters has often brought specialists to relativize the importance of profits, noting that they were lower and more uncertain than was sometimes claimed: profits of those in charge in the British slave trade were nevertheless between 8.1 percent and 13.4 percent per year during the second half of the eighteenth century.³³ Moreover, more than once, the significance of the profits of slavery and the slave trade to the industrial take-off in Western Europe has been questioned, in studies that instead underline the tendency of traders and absentee plantation owners to dispose of their profits conservatively, in land purchases, state loans, and unproductive consumption.³⁴ Since the 1960s at least, this point of view has reinforced the dominant tendency in economic history to consider the Industrial Revolution as the result of essentially endogenous factors.³⁵

However, during the 1960s and 1970s, a certain number of historians, and by no means the least important among them, have held that, despite all these circumstances, the Industrial Revolution would have been inconceivable without the colonial expansion and the commercial revolution which preceded it.³⁶ Where did the Industrial Revolution’s capital come from, asked Christopher Hill? To this question, he answered: “Spectacularly large sums flowed into England from overseas—from the slave trade, and, especially from the seventeenth-sixties, from organized looting of India [...] But it is not always easy

to trace connections so directly.”³⁷ In a more speculative tone, Phyllis Deane maintained an analogous point of view: “It would have been surprising if a proportion of the cumulating surplus generated by three decades of trading prosperity had not found its way into the manufacturing industries whose products were the merchants’ main stock in trade.”³⁸

It must also be pointed out that, during the same period, a branch of research more interested in the products of the plantations than in the mercantile activities of the slave trade has, with a certain persistence, defended the hypothesis that the growing and refining of sugar using the forced labor of slaves were powerful incubators of a quasi-industrial cultivation (mechanized treatment of the cane, division of labor, the gang system, labor discipline, etc.).³⁹ The quick adoption and improvement of Eli Whitney’s cotton gin by plantation owners of the southern United States during the last years of the eighteenth century accounts for a similar potential. Along the same lines, Robin Blackburn, for example, points out that the meaning of “plant,” as a factory for the manufacture of a particular product, is a derivative of “plantation,” the former emulating the coordinated and disciplined collective work of the latter.⁴⁰ More recently, Yann Moulier Boutang has insisted on the fact that it is thanks to the “use of a large workforce for production marketed long-range that the sugar plantation system represented, from 1670, one of the most efficient forms of wealth accumulation, mechanization application, integration of trade capital, production, transportation, marketing and disciplining of subordinate labor.”⁴¹

For Kenneth Pomeranz and Steven Topik, “The factories of the Caribbean were holding a mirror in which Europe could see its industrial future.” It is worthwhile to quote them more fully: “We think of labor-saving machinery when we think of factories. Indeed, technological advances from the sixteenth century on meant that the sugar mill was able to process much more sugar with far less mill labor. But the great cost of the mill and its voracious appetite meant that large armies of slaves were put to work twenty hours a day feeding the sweet monster. Technological improvement created the demand for greater and more disciplined labor. [...] The time exigencies of the production process meant that slaves had to work together as so many parts of a well-oiled machine. Efficiency and slavery, labor saving and labor intensification were combined. [...] The vast amount of sugar that this

method produced caused the price of sugar to drop vertiginously [...] In the early stages of England's industrialization, from 1650 to 1750, per capita sugar consumption rose. [...] Sugar fueled not just the industrial revolution but the European industrial work force."⁴²

Slavery, Cotton, and Modern Industry

"Direct slavery is as much the pivot upon which our present-day industrialism turns as are machinery, credit, etc. Without slavery there would be no cotton; without cotton there would be no modern industry. It is slavery which has given value to the colonies; it is the colonies which have created world trade; and world trade is the necessary condition for large-scale machine industry."⁴³ This passage of a letter from Marx to Pavel Annenkov, dated 28 December 1846, already clearly suggested considering colonization, the slave trade, and slavery as key factors for global market expansion, without which industrial capitalism would have been simply inconceivable. Some one hundred and fifty years later, it is the same kind of thinking which resurfaces at the heart of contemporary debate.

Indeed, for the last twenty years, historiography has again attributed central importance to international trade in the origins of the Industrial Revolution.⁴⁴ A book edited by Barbara Solow in 1991, revealed the extent of this turning point.⁴⁵ It contained, for example, an article by Patrick O'Brian and Stanley Engermann, which explicitly revised their former position. The following year, the Congress of the American Economic Association invited four specialists—William Darity, Jr., Amitava Krishna Dutt, Ronald Findlay, and Joseph E. Inikori—to express their position concerning the origins of the world's unequal development. They all agreed on the fact that seventeenth- and eighteenth-century transatlantic trade had been an important factor in the expansion of European industrialization.⁴⁶

Recent works by Robin Blackburn and Joseph E. Inikori have, however, marked a new stage in the study of the determining part played by transatlantic trade, the slave trade, and slavery in the advent of the Industrial Revolution in Western Europe.⁴⁷ Going beyond the thinking of Williams, who postulated that the slave trade and slavery profits went to pioneering companies of the Industrial Revolution,

these two authors have endeavored to analyze not only the global, macro-economic links connecting the slave trade and transatlantic trade expansion, but also the domination of the latter by England and the complex processes which led to the Industrial Revolution in that country. The results of their investigations are eloquent: the Industrial Revolution is inconceivable without the slave trade. Thus, the question is no longer to know whether the financing of the Watt & Boulton corporation—James Watt is the presumed inventor of the steam engine in 1769—by capital originated in the West Indies is a relevant fact or not. Transfigured in this way, Eric Williams's theory stands once again in the center of the debate, over sixty years after its initial publication.

As for Blackburn, "For a considerable time the conjunction of slavery, colonialism, and maritime power permitted the most advanced European states to skew the world market to their own advantage. What has been called the "European miracle" in fact depended not only on the control of intercontinental exchanges but on the profits of slavery. The latter also helped to furnish some of the conditions for a global industrial monopoly. The enormous gains achieved were based on the opportunities opened up by transferring forced laborers to parts of the globe under European control, and favourably situated for supplying European markets with exotic produce. But monopolies decreed from European capitals were of limited efficacy unless they were backed up by a host of independent merchants and planters, displaying entrepreneurial qualities."⁴⁸

This author argues that, in 1770, profits from the triangular trade contributed from 21 to 55 percent of Britain's gross fixed-capital formation, although it is impossible to determine precisely which economic sectors were involved (merchant navy, harbors, docks, canals, agriculture, or industry).⁴⁹ David Hancock's study, which focuses on twenty-three associate merchants from London in the middle of the eighteenth century, shows the importance of their investments in local transport and manufacturing infrastructures, without making them industrialists.⁵⁰ Work by Douglas Farnie also emphasizes the specific links established between international trade in Liverpool and the manufacturing industry in Manchester, both much more connected to Atlantic trade than to the national economy as a whole.⁵¹

Joseph E. Inikori, for his part, doesn't content himself with the consideration of transatlantic trade profits and the slave trade. He also

analyses the effects induced by transatlantic trade, including the slave trade, on the British economy as a whole. According to him, beginning in the sixteenth century, the transatlantic trade widely dominated the foreign exchanges of Europe, progressing from £1.3 million a year during the first half of the sixteenth century to £57.7 million around 1761–80, then to £231 million in the middle of the nineteenth century. Furthermore, the trade of tropical products represented a business volume ten times greater than the slave trade. But the majority of goods exported by the American colonies was produced by black slaves: 54 percent in 1501–50, 69 percent in 1651–70, and 83 percent in 1761–80.⁵² Indeed, salaried employment did not yet represent an alternative to servile labor. And thanks to the power of its navy, England had been able to lay its hands on a determining share of this trade, beginning with the slave trade itself, which was to be replaced, after the abolition of slavery, by the trade in wood, palm oil, guano (Namibia) and gum (Senegal). This is how the “black ivory” trade opened up the way to Africa’s specialization in the exportation of raw materials.

In a period dominated by mercantile policies, European metropolises tried their best to generate a surplus in their business with overseas colonies. And so, from 1700 to 1760, the increase of foreign trade was responsible for over half of British industrial growth: imported goods for local consumption, but also for re-exportation, were substituted for local productions. According to Inikori, from 1700 to 1773, 71.5 percent of the kingdom’s industrial exports concerned America and western Africa, to which should be added the Hispanic peninsula. This percentage was higher still for leading goods of the first industrialization (textiles, metallurgy, and so on). In the 1780s, for example, two-thirds of British cotton exports were intended for the West Indies and western Africa.⁵³

More generally, the iron and copper industries were boosted by the development of shipyards and the building industry (in England but also overseas), which relied directly or indirectly—as did the arms industry—on the expansion of transatlantic trade. The Napoleonic wars thus represented somewhat of a test: when all is said and done, the continental blockade, imposed by French bayonets, did less harm to England than the Atlantic eviction imposed by the British navy did to France. Finally, British exports (and those of British territories in America) generated far higher “invisible exportations” (transport costs,

amortization of ships, insurance costs, and so on). They also led to an accelerated development of services linked to transport, banking, insurances, and trade, in response, for instance, to the growing credit needs of transatlantic trade (bills of exchange and government securities).

France, a Counter Example?

In spite of this major historiographical turning point, a number of French historians nevertheless continued, in a quite Weberian view, to reject all decisive links between slave trade profits and slave labor, on the one hand, and modern industrialization, on the other.⁵⁴ “We now know,” one of them recently declared, “that the western industrial revolution can’t be explained by the slave trade, slavery and colonial trade. Profits made were indeed invested in bricks and mortar, in land and in trade, not in industry.”⁵⁵ As we can see, this type of argumentation remains strongly dependent on a quite simplistic apprehension of the main actors’ entrepreneurial attitudes, of which Carlo Cipolla already showed the limits thirty years ago: “European maritime expansion was one of the circumstances that paved the way for the Industrial Revolution. To deny it on the basis that there were no West Indies merchants or East-India adventurers among the ‘entrepreneurs’ who built factories in Europe is as sensible as to deny any relation between the Scientific Revolution and the Industrial Revolution on the basis that neither Galileo nor Newton set up a textile mill in Manchester. Interrelationships in human history do not always work so openly and crudely.”⁵⁶

This position against the current probably finds some rationality in the economic history of France. Indeed, in the 1770s and 1780s, the country’s industrialization encountered “a rapid and brilliant beginning [...] as a result of new techniques (imported from England) [and financed by] [...] the accumulation of capital and the strength of foreign trade.”⁵⁷ That was when the industrial expansion of the cities of Nantes and Rouen was without doubt the most directly stimulated by the slave trade, as were extensive inland regions (Dauphiné, Bretagne, etc.). Certainly, during this period already, such developments couldn’t be considered independent of British competition: “The external stimulus of serious competition from cheaper English goods, first in foreign

markets and after the treaty of 1786 in France itself, was needed to set in train a number of French efforts, intensified during the 1780s [...].”⁵⁸ However, the cessation and rapid involution of this process during the wars of the Revolution and the Empire nevertheless led many authors to refuse to recognize this very first take-off as a premise of the Industrial Revolution from the eighteenth century on.⁵⁹

The same link between colonial trade and industrialization became explicit, in an opposite sense, when, from 1790–1825, “the collapse of industrial production [...] resulted from the loss of overseas markets and to a lesser degree from the difficulty of obtaining raw materials.”⁶⁰ To mention a few examples among many, the collapse of sugar refineries in Amsterdam or Bordeaux, of naval construction in Marseilles, or of the printing of cotton in Nantes led to a marked industrial and demographic decline. In fact, “the experience of the French economy [...] illustrates the difficulties of industrializing on the exclusive basis of a large home market.”⁶¹ Why be surprised, in such conditions, that “investments turned away from the productive sector in favour of real estate and property,” that tendency of private capital, which was eventually reinforced as new countries became industrialized and which in turn led them to link their success, as shown by Alexander Gershenkron, to an increasing economic intervention by the State?⁶²

Finally, the same historians who reject all pertinent connections between slavery and European industrialization sometimes insist on the necessity of confronting with more awareness the Atlantic and Arab-Muslim slave trade. By comparing somewhat flippantly the eleven to thirteen million Africans conveyed by slave ships during the four centuries of the transatlantic slave trade to the seven-and-a-half to fourteen million slaves exported during the thirteen centuries of the Arab slave trade, they may well emphasize the opposing economic evolution of these two large slave-importing centers.⁶³ By doing so, however, they omit essential differences. First, there is much more speculation about the numbers relative to the Oriental slave trade, especially during the first nine centuries (from the seventh to the fifteenth), when it represented some 60 percent of the entire trade.⁶⁴ Second, this trade in human beings never reached, and was far from reaching, the intensity of the Western trade, particularly in the decades which preceded the Industrial Revolution: in the eighteenth century, the former perhaps reached seven to nine hundred thousand slaves compared to six million

for the latter.⁶⁵ Finally, if the Arab slave trade reached unequaled numbers during the nineteenth century (4.5 to 6.2 million people),⁶⁶ as did the mass hiring of Asian coolies and forced labor in African colonies, it could no longer be separated either from a global economy in full expansion and under European hegemony or from the transportation revolution which came with it: the British-Ottoman trade convention of 1838 set the tone for an accelerated liberalization and expansion of trade in the whole region. For example, “black slaves were used on the plantations of Zanzibar to produce goods such as cloves and coconuts that in any case were partly exported to Western markets.”⁶⁷ Similarly, “during [...] the cotton boom of the 1860s, the use of slave labor rose significantly” in Egypt.⁶⁸

Certainly, before the end of the eighteenth century at least, the Arab slave trade could only marginally depend on the first forms of global capitalism, to use Raymond-Martin Lemesle’s expression.⁶⁹ Indeed, traditionally “the Islamic world did not operate on a slave system of production”:⁷⁰ If slaves were forced into agricultural, mining, or excavation work, “this was an exceptional case.”⁷¹ As Elikia M’Bokolo noted, “The enslavement of Africans for production was tried in Iraq but proved a disaster. It provoked widespread revolts, the largest of which lasted from 869 to 883 and put paid to the mass exploitation of black labour in the Arab world.”⁷² Hourani also evoked a few isolated slave centers in the arable land of the High Valley of the Nile and of the Sahara oasis.⁷³ However, throughout its history, the Arab slave trade essentially provided an urban working force, indispensable for a multitude of business activities, but above all domestic (not to mention concubines bought by those who had the means, as well as eunuchs—though certainly much fewer in number—required by religious palaces and institutions).⁷⁴ Let us add finally that, unlike those of the Atlantic trade, most victims of the Arab trade were women, who were largely assimilated by their “host” societies, which today has been confirmed by genetic studies carried out in the Middle East and in Central Asia.⁷⁵

In conclusion, if the slave trade facilitated the development of industrial capitalism in the late eighteenth century in Europe, in other times or places, slavery often slowed down—even hindered—industrial-capitalism genesis, as the decline of the Roman Empire has amply proven. For example, slavery played no significant part in the most advanced industrial experience of the Arab world in the nineteenth

century, under Muhammad'Ali in Egypt (1805–1848).⁷⁶ Nevertheless, was what was true in antiquity, or, *mutatis mutandis*, in Arab-Muslim societies from the seventh to the nineteenth centuries, necessarily so elsewhere; for example, during the colonization of America for the profit of the Old World, which continued to develop forced labor “in rather peripheral rural environments [...] in comparison with the heart of the new European and Atlantic economy—always more manufacturing and industrial,—[conducted by] a much more dominant and expansive mode of production, exclusively founded on free labor?”⁷⁷ As seen above, this is extremely unlikely.

So what part did the slave trade and transatlantic trade play in the appearance of the Industrial Revolution in England, as well as in Western Europe? Without a doubt a decisive part, if we take into account the complex modalities of the primitive accumulation of capital by European traders and financiers, notably in the vast domain of the Atlantic economy, just after the voyages of discovery. At the same time, on a domestic level, it was the social changes linked with the continued expansion of rural markets which made possible the rapid development of employed labor, particularly in the eighteenth century. Thus it does not make sense to oppose these two types of phenomena by arbitrarily favoring presumed “exogenous” or “endogenous” socio-economic causes of industrialization, as many authors have attempted to do. They are empirically and logically indissociable, even if they do not mechanically determine one another.

While understanding the general process, we must still acknowledge a third order of causes: the rise of state power, centralized and coherent, responsible for domestic social order, for colonial expansion and its monopolies of private exploitation, but also for the privileges of Dutch, English, or French investors, in comparison with those of other rival states. Indeed—and this cannot be said often enough—before adhering to liberalism, political authorities, even in England, played an essential role in the regulation of the conditions of the economic, social, and political emergence of industrial capitalism.

Thus, if there is an evident genetic connection between the American plantation and the European plant, its explanation is complex and shies away from any simplistic approach. This intrinsic difficulty is made still greater by the sulphurous aura surrounding the issue, since Marx, in highly-regarded pages, considered colonial slavery to be

a central element of the primitive accumulation of capital: "Liverpool waxed fat on the slave trade. This was its method of primitive accumulation [...] In fact, the veiled slavery of the wage workers in Europe, needed for its pedestal, slavery pure and simple in the new world."⁷⁸ What is at stake here politically has certainly contributed to nourishing the bias of historiographical approaches which, since Max Weber, have tried to confront the planter with the industrialist, the slave with the free worker, constraint with contract, brutal exploitation with legitimate profit, insisting on the essential discontinuity between *ancien régime* mercantilism and liberal capitalism. That is why it is especially satisfying that, after the first controversies aroused by the Caribbean School, the debate has been revived today, on new empirical and theoretical grounds, notably by a historian of African origin of the calibre of Joseph E. Inikori.

NOTES

- ¹ Robin Blackburn, *The Making of New World Slavery: From the Baroque to the Modern, 1492–1800* (London: Verso, 1997), 565.
- ² Eric Williams, *Capitalism and Slavery* (Chapel Hill: University of North Carolina Press, 1944).
- ³ Joseph E. Inikori, *Africans and the Industrial Revolution in England: A Study in International Trade and Economic Development* (Cambridge: Cambridge University Press, 2002).
- ⁴ Karl Marx, *Collected Works* (New York: International Publishers, 1975), 35:704; Michael Perelman, *The Invention of Capitalism: Classical Political Economy and the Secret History of Primitive Accumulation* (Durham: Duke University Press, 2000), 25.
- ⁵ Quoted by Christopher Hill, *Reformation to Industrial Revolution: A Social and Economic History of Britain, 1530–1780*, The Pelican Economic History of Britain 2 (London: Weidenfeld and Nicolson, 1967; repr. 1968; Harmondsworth: Penguin Books, 1969), 227; all citations are to the Penguin/Pelican edition.
- ⁶ Quoted by Perelman, *The Invention of Capitalism*, 247.
- ⁷ Bernard Semmel, *The Liberal Ideal and the Demons of Empire: Theories of Imperialism from Adam Smith to Lenin* (Baltimore: The Johns Hopkins University Press, 1993), 76.
- ⁸ Eugene D. Genovese, *The World the Slaveholders Made* (New York: Vintage Books, 1969), 21–102.
- ⁹ Antoine, Comte de Rivarol, *De l'universalité de la langue française, discours qui a remporté le prix à l'Académie de Berlin* (Berlin & Paris: Bailly, 1784).

- ¹⁰ Quoted by Perelman, *The Invention of Capitalism*, 326.
- ¹¹ Marx, *Collected Works*, 35:738.
- ¹² John A. Hobson, *The Evolution of Modern Capitalism: A Study of Machine Production* (London: Allen & Unwin, 1894; rev. ed., 1926), 12–13; citations are to the revised edition.
- ¹³ Werner Sombart, *Der Moderne Kapitalismus*, vol. 1 (Leipzig: Duncker & Humblot, 1902).
- ¹⁴ Karl Polanyi, *Dahomey and the Slave Trade* (Seattle: University of Washington Press, 1966), 17.
- ¹⁵ William Cunningham, *The Growth of British Industry and Commerce in Modern Times*, 3 vols. (Cambridge: Cambridge University Press, 1882); Arnold Toynbee, *Lectures on the Industrial Revolution of the Eighteenth Century in England: Popular Addresses, Notes and Other Fragments* (London: Longmans, 1884); Paul Mantoux, *The Industrial Revolution in the Eighteenth Century: An Outline of the Beginnings of the Modern Factory System in England* (London: Jonathan Cape, 1928; first French ed., Paris: Société nouvelle de librairie et d'édition, 1905).
- ¹⁶ Eric J. Hobsbawm, "The General Crisis of the European Economy in the 17th Century," *Past and Present* 5 (1954): 33–53 and 6 (1954): 44–65.
- ¹⁷ Kenneth Pomeranz and Steven Topik, *The World That Trade Created: Society, Culture, and the World Economy, 1400 to the Present* (Armonk, New York: M. E. Sharpe, 1999).
- ¹⁸ Blackburn, *The Making of New World Slavery*, 382.
- ¹⁹ *Ibid.*, 404: Table X.2.
- ²⁰ Jan de Vries, "Between Purchasing Power and the World of Goods: Understanding the Household Economy in Early Modern Europe," in John Brewer and Roy Porter, eds., *Consumption and the World of Goods* (London: Routledge, 1993), 85–132.
- ²¹ Cyril Lionel Robert James, *The Black Jacobins: Toussaint Louverture and the San Domingo Revolution* (London: Secker and Warburg, 1938; London: Penguin Books, 2001).
- ²² Williams, *Capitalism and Slavery*.
- ²³ *Id.*, *From Columbus to Castro: The History of the Caribbean, 1492–1969* (New York: Harper & Row Publishers, 1970).
- ²⁴ William A. Darity, Jr., "A General-Equilibrium Model of the Eighteenth-Century Atlantic Slave Trade: A Least-Likely Test for the Caribbean School," *Research in Economic History* 7, no. 2 (1982): 287–326.
- ²⁵ Max Weber, *General Economic History* (1923) (New York: Greenberg, 1927; new ed., New Brunswick & London: Transaction Books, 1984), 301. All citations are to the Transaction Books edition.
- ²⁶ Nathan I. Huggins, *Black Odyssey: The Afro-American Ordeal in Slavery* (New York: Pantheon Books, 1977), quoted in Robin Blackburn, *The Making of New World Slavery*, 1.
- ²⁷ Paul Gilroy, *The Black Atlantic: Modernity and Double Consciousness* (London: Verso, 1993).

- ²⁸ Patrick Villiers and Jean-Pierre Duteil, *L'Europe, la mer et les colonies* (Paris: Hachette, 1997), 185. "Only as personified capital is the capitalist respectable. As such, he shares with the miser the passion for wealth as wealth. But that which in the miser is a mere idiosyncrasy, is, in the capitalist, the effect of the social mechanism, of which he is but one of the wheels. [...] his own private consumption is a robbery perpetrated on accumulation, just as in book-keeping by double entry, the private expenditure of the capitalist is placed on the debtor side of his account against his capital" (Marx, *Collected Works*, 35:588).
- ²⁹ Blackburn, *The Making of New World Slavery*, 15.
- ³⁰ *Ibid.*, 19, 23.
- ³¹ Marx, *Collected Works*, 35:244.
- ³² After Charly Guyot, *Un ami et défenseur de Rousseau: Pierre Alexandre Du Peyrou* (Neuchâtel: P. Attinger, 1958).
- ³³ Kenneth Morgan, *Slavery, Atlantic Trade and the British Economy, 1660–1800* (Cambridge: Cambridge University Press, 2001), 39–44.
- ³⁴ *Ibid.*, 53–54.
- ³⁵ Particularly see Paul Bairoch, "Commerce international et genèse de la révolution industrielle anglaise," *Annales* 28 (1973): 541–71; and Charles Kindleberger, "Commercial Expansion and the Industrial Revolution," *Journal of European Economic History* 4, no. 3 (1975): 613–54.
- ³⁶ Hill, *Reformation to Industrial Revolution*; Eric J. Hobsbawm, *Industry and Empire: From 1750 to the Present Day*, *The Pelican Economic History of Britain* 3 (Harmondsworth: Penguin Books, 1968).
- ³⁷ Christopher Hill, *Reformation to Industrial Revolution*, 245.
- ³⁸ Phyllis Deane, *The First Industrial Revolution* (Cambridge: Cambridge University Press, 1965).
- ³⁹ For instance, Sydney W. Mintz, *Sweetness and Power: The Place of Sugar in Modern History* (New York: Viking, 1995; first ed., New York: Viking 1985); William R. Fogel, *Without Consent or Contract: The Rise and Fall of American Slavery* (New York: W. W. Norton and Co., 1989), 23–36.
- ⁴⁰ Blackburn, *The Making of New World Slavery*, 565. Both acceptations were introduced in the English language during the eighteenth century, meaning at first a large farm on which tobacco or cotton is grown (1706), and later on, also, an industrial building (1789) (*Online Etymology Dictionary*, www.etymonline.com).
- ⁴¹ Yann Moulier Boutang, *De l'esclavage au salariat: Economie historique du salariat bridé* (Paris: Presses Universitaires de France, 1998), 238.
- ⁴² Pomeranz and Topik, *The World That Trade Created*, 225.
- ⁴³ Marx, *Collected Works*, 38:99.
- ⁴⁴ Joseph E. Inikori (2002) places the beginning of this turning point at a conference held in Italy, in Bellagio, 1984. See also Barbara L. Solow & Stanley L. Engerman, eds., *British Capitalism and Caribbean Slavery: The Legacy of Eric Williams* (Cambridge: Cambridge University Press, 1987).
- ⁴⁵ Barbara L. Solow, ed., *Slavery and the Rise of the Atlantic System* (Cambridge: Cambridge University Press, 1991).

- ⁴⁶ *Papers and Proceedings of the Hundred and Fourth Annual Meeting of the American Economic Association* (May, 1992); "The Origins of Uneven Development: The Rise of the West and the Lag of the Rest," *American Economic Review* 82, no. 2 (1992): 146–67.
- ⁴⁷ Blackburn, *The Making of New World Slavery*; Inikori, *Africans and the Industrial Revolution*.
- ⁴⁸ Blackburn, *The Making of New World Slavery*, 6.
- ⁴⁹ *Ibid.*, 542.
- ⁵⁰ David Hancock, *Citizens of the World: London Merchants and the Integration of the British Atlantic Community, 1735–1785* (Cambridge: Cambridge University Press, 1995).
- ⁵¹ Douglas Farnie, *The English Cotton Industry and the World Market, 1815–1896* (Oxford: Oxford University Press, 1979).
- ⁵² Inikori, *Africans and the Industrial Revolution*, 156–214.
- ⁵³ *Ibid.*, 405–72.
- ⁵⁴ Two recent books are emblematic of this orientation: Olivier Pétré-Grenouilleau, *Les Traites négrières: Une tentative d'histoire globale* (Paris: Gallimard, 2004); Caroline Oudin-Bastide, *Travail, capitalisme et société esclavagiste: Guadeloupe, Martinique (XVIIe-XIX siècles)* (Paris: La Découverte, 2005).
- ⁵⁵ Olivier Pétré-Grenouilleau, "Quelques vérités gênantes sur la traite des Noirs," *L'Expansion* (29 juin 2005).
- ⁵⁶ Carlo M. Cipolla, *Guns and Sails in the Early Phase of European Expansion* (Harmondsworth: Penguin Books, 1970; first ed., London: Collins, 1965).
- ⁵⁷ Claude Fohlen, "France, 1700–1914," in Carlo M. Cipolla, ed., *The Emergence of Industrial Societies*, vol. 4, part 1 of Carlo M. Cipolla, *The Fontana Economic History of Europe* (New York: Harper and Row Publishers, 1976), 68–69.
- ⁵⁸ François Crouzet, "England and France in the Eighteenth Century: A Comparative Analysis of Two Economic Growths," in R. M. Hartwell, ed., *The Causes of the Industrial Revolution in England* (London: Methuen and Co., 1967), 173.
- ⁵⁹ Philippe Norel, *L'Invention du marché: Une histoire économique de la mondialisation* (Paris: Presses Universitaires de France, 2004), 325–26.
- ⁶⁰ François Crouzet, "Wars, Blockade, and Economic Change in Europe, 1792–1815," *Journal of Economic History* (1964): 567–88.
- ⁶¹ Blackburn, *The Making of New World Slavery*, 569.
- ⁶² Quotation from Fohlen, "France," 69; see also Alexander Gershenkron, *Economic Backwardness in Historical Perspective* (Cambridge, Mass.: Harvard University Press, 1962).
- ⁶³ For the transatlantic slave trade, the majority of researchers today admits a bracket of eleven to thirteen million: Hugh Thomas, *The Slave Trade* (New York: Simon & Schuster, 1997); Paul E. Lovejoy, *Transformations in Slavery* (Cambridge: Cambridge University Press, 2000). On the Arab slave trade, the conservative estimation of Luiz Felipe de

Alencastro is around eight million: see “Traite,” *Encyclopædia Universalis* (2002), 22:902. At the opposite, Paul Bairoch’s *Economics and World History: Myths and Paradoxes* (New York: Harvester Wheatsheaf, 1993), 147 states a bracket as high as fourteen to fifteen million. Between them, Ralph Austen, one of the best specialists of the matter, today speaks in favour of an average number of twelve million: for the quotation, see Pêtré-Grenouilleau, *Les traites négrières*, 147, note 1. Ronald Segal’s *History of Africa’s Other Black Diaspora* (London: Atlantic Books, 2002) defends a total of 11.5 millions, about the same as for Atlantic slave trade. Similarly, Marc Ferro suggests a bracket of 7.6 to 14.1: see “Autour de la traite et de l’esclavage,” in id., ed., *Le livre noir du colonialisme. XVIe–XXIe siècles: De l’extermination à la repentance* (Paris: Robert Laffont, 2003), 103–18. Olivier Pêtré-Grenouilleau (*Les traites négrières*, 148) thus puts forward the highest number with seventeen million, taking over the first estimations of Ralph Austen (*African Economic History*, 1987), even though Austen himself abandoned them.

- ⁶⁴ Pêtré-Grenouilleau suggests this percentage for trans-Saharan slave trade, which is the most important; see his *Les traites négrières*, 149, note 2.
- ⁶⁵ Ferro, “Autour de la traite,” 107; Pêtré-Grenouilleau, *Les traites négrières*, 149.
- ⁶⁶ Pêtré-Grenouilleau, *Les traites négrières*, 151.
- ⁶⁷ Elikia M’Bokolo, “The Impact of the Slave Trade on Africa,” *Le Monde Diplomatique* (avril 1998); Abdul Sheriff, *Slaves, Spices, and Ivory: Integration of an African Commercial Empire into the World Economy* (London: James Curry, 1988).
- ⁶⁸ Ehud R. Toledano, *Slavery and Abolition in the Ottoman Middle-East* (Seattle: University of Washington Press, 1998), 57.
- ⁶⁹ Raymond-Marin Lemesle, *Le commerce colonial triangulaire, 18e–19e siècles* (Paris: Presses Universitaires de France, 1998), 7.
- ⁷⁰ Bernard Lewis, *Race and Slavery in the Middle-East* (Oxford: Oxford University Press, 1994), chs. 1 and 9.
- ⁷¹ Maxime Rodinson, *Islam and Capitalism* (Harmondsworth: Penguin Books, 1977; first French ed., Paris: Seuil, 1966), 67; citation is to the Penguin edition.
- ⁷² Alexandre Popović, *La révolte des esclaves en Irak au 3e–9e siècles* (Paris: Geuthner, 1976).
- ⁷³ Albert Hourani, *A History of the Arab Peoples* (Cambridge, Mass.: The Belknap Press of Harvard University Press, 1991), 117.
- ⁷⁴ Gwyn Campbell, “Introduction,” in id., ed., *The Structure of Slavery in Indian Ocean, Africa and Asia* (London: Frank Cass, 2004), vii–xxxii.
- ⁷⁵ The collected data, “not only confirm a female-biased slave trade towards the East but also show that this pattern, which includes differential mating patterns between the sexes, extended to the eastern limits of the East African slave trade”: see Lluís Quintana-Murci et al., “Where West Meets East: The Complex mtDNA Landscape of the Southwest and Central Asian Corridor,” *American Journal of Human Genetics* 74, no. 5 (May 1994): 827–45.

⁷⁶ Jean Batou, *Cent ans de résistance au sous-développement: L'industrialisation de l'Amérique latine et du Moyen-Orient face au défi européen, 1770–1870* (Genève: Droz, 1990), 45–123.

⁷⁷ Aldo Schiavone, *L'histoire brisée: La Rome antique et l'Occident moderne* (Paris: Belin, 2003), 136.

⁷⁸ Marx, *Collected Works*, 35:747.

CHAPTER THREE

Theories and Realities: What are the Causes of Backwardness?

DANIEL CHIROT

Ever since the early nineteenth century, when a few West European economies began to progress much faster than others, scholars have posed the question *why?* That question remains as pressing today as ever.

One theory that first gained credence in the late nineteenth century became especially popular with intellectuals and political elites in the less favored countries. It posited that the powerful countries were using the international trading system to systematically keep the weak ones poorer and less developed countries. Why such a theory should have found favor among elites in weaker and poorer societies is easily understood. In its blaming of outsiders and its portrait of an unjust, rigged international system, the theory offered these elites a convenient target for their frustrations and suggested a remedy, in the form of a map toward reform, that in no way belittled their own cultural inclinations.

The idea that economic backwardness was a function of exploitation by the most developed nations was quickly adopted by theorists of all political persuasions. Enrico Corradini, a theorist on the far right, proposed in 1910 that “proletarian” nations like Italy had to struggle against “bourgeois” ones like France and Great Britain to regain their rightful place, and this notion acquired prominence in Mussolini’s thinking about fascism’s mission to restore Italian greatness.¹ Five years after Corradini’s proposal, a left-wing version appeared in Nikolai Bukharin’s book *Imperialism and World Economy* (1915). Bukharin claimed that poor agrarian economies were as much a part of the capitalist system as rich industrial ones, and that it was necessary for the latter to exploit the former. Lenin’s theory of imperialism in both its 1916 and 1939 versions similarly emphasized the theme of exploitation

in arguing that the colonial system, which subjected the poor agrarian world to economic dominance by powerful nations, was sustaining capitalism by draining enough surplus to allow capitalists to pay off their own working classes. It was the competition for vital colonies, Lenin proposed, that had caused the First World War and that would ultimately bring about worldwide revolution.²

In subsequent decades the theory of exploitation was refined by both right- and left-wing economists. The Romanian defender of fascist corporatism, Mihail Manoilescu, argued that a twisted, faulty development had been imposed on agrarian Eastern Europe. He proposed that nationalists should break the chains of economic dependency. His ideas subsequently became highly influential in shaping Latin American dependency theory, particularly in Argentina and Brazil. It proved congenial to right-wing Latin American nationalists, as well as to revolutionary thinkers on the Left, for whom it provided the foundations of development theory.³

What right-wing, left-wing, or even more mildly reformist and protectionist versions of this theory such as the one put forward by the Argentine Raúl Prebisch all agreed about was that there was a world capitalist system, with a rich, developed, technologically sophisticated core and a poor, backward, systematically exploited and disadvantaged periphery that exported low-technology primary products. Prebisch argued that even a relatively wealthy country like Argentina, which owed its prosperity to beef and grain exports, would lose out in the end because its very success blocked the development of more sophisticated industries, and because the overwhelming strength of the core economies would always result in the relative decline of primary product prices.⁴

In its mild form, such as that advanced by Prebisch, core-periphery or dependency theory proposed to remedy the inequality between advanced and peripheral economies through appropriate government stimulation of advanced industries in the peripheries and protectionist measures to insulate them against the more sophisticated industries of the core, at least until they had matured enough to compete on their own. At first it was thought that tariffs could accomplish this, but later, heavy state support for infant industries, as happened in Japan, and later South Korea, seemed more likely to produce desired results. A yet more radical version proposed outright state ownership as the ideal

method of developing advanced industrial strength. This approach appealed, and has continued to appeal, to nationalists who saw protectionism and state intervention as a way of making their nations strong by allowing them to resist the power of the most advanced, “plutocratic” states.

With the eclipse of fascism after World War II, the more extreme form of dependency theory became the almost exclusive possession of the far Left. It was in 1952 that the French economist Alfred Sauvy coined the term “*Tiers Monde*” to signify the colonies and struggling former colonies of the imperialist capitalist core. Between the two worlds of capitalism and communism locked in combat, there was a third world, he reasoned, that was the key to revolutionary success in the future. Just as the revolutionary spirit of the French *ancien régime*’s third estate had brought about the Revolution of 1789 (at least according to accepted Marxist historiography), so would the Third World, a kind of global “third estate,” bring about radical change in the latter half of the twentieth century: “Car enfin, ce Tiers Monde, ignoré, exploité, méprisé, comme le Tiers Etat, veut lui aussi être quelquechose” (For this Third World, ignored, exploited, scorned, like the Third Estate, also wants to be something).⁵ Robbed of their dignity and of their economic potential, the colonies could only prosper and regain their rightful place in the world by revolting, not only against the colonial powers but also against the entire unjust world capitalist system. It was not long before the revolutionary anti-colonial movement picked up Sauvy’s terminology, particularly since two key 1950s revolutionary anti-capitalist movements, in Indochina and Algeria, were led by French-educated intellectuals against France itself.

There is no denying that Sauvy correctly identified the key ingredient behind Third Worldism’s version of dependency theory, the burning desire of intellectual elites in the poor parts of the world to overcome their sense of humiliation at having been treated as inferiors and told that theirs were impoverished cultures incomparable to the master European cultures. Certainly, from the end of World War II until roughly 1980, it appeared that Sauvy’s prediction had been correct, as colonial empires collapsed, and as it began to seem that communism, or at least some form of socialism that turned its back on the world capitalist system, was indeed capable of developing previously impoverished agrarian economies.

It was in 1974, at the height of the alliance between triumphant Third Worldism and Communism that Immanuel Wallerstein combined Third World radical idealism with older Marxist theories and imaginative, not to say fanciful, historical analogies to explain inequality in the modern world.⁶ His novel touch lay in the concept of “semiperipheral societies,” which he argued, act as a kind of stabilizing middle class slowing the march to revolution. These societies—Brazil and India are good examples—had to be radicalized before real world revolution could take place. Ultimately, however, Wallerstein was more concerned with solidifying the intellectual base of revolutionary socialism than with providing a recipe for practical action.

In those days, the best economic historians in the socialist world, among whom it is necessary to include Ivan Berend and his long-time friend and colleague György Ránki, were highly sympathetic to this approach.⁷ They, along with many of their Hungarian and Polish colleagues, were, however, somewhat less dogmatic than their Western radical Marxist allies, probably because they had had enough experience with central planning to know it was not all that efficient. Enlightened, sophisticated historians like Berend were able to provide a scholarly depth and a wealth of practical experience that helped the Western radical theorists who generally had a less solid historical grounding.

As we know now, what seemed to be the future wave of history at the end of the Vietnam War turned out to be one more dead end in the two-centuries-old struggle to stop the march of capitalism. Communism has failed and Third Worldism has left a string of miserably decrepit, tyrannical regimes, failed states, and crumbling economies from Cuba to Algeria, from Yugoslavia to North Korea. Yet resistance continues: from the Green Left, the protectionist working class in advanced societies, the new populists in Latin America, the religious Islamic radical Right, indeed from people the world over who feel left behind by triumphant liberal capitalism. Perhaps even more critically, the humiliation felt by intellectuals in backward societies remains as keen as ever. It often seems that the only economic theories they have to rely on are the same old ones that have been the mainstay of core/periphery, dependency explanations of backwardness for well over a century. Can these theories be adapted to today’s world? Do they still make as much sense as they seemed to make for much of the twentieth century?

It remains true that the very poorest and least modernized economies have little to export to the world beyond primary products such as oil, minerals, and tropical agricultural products, or, increasingly, very cheap labor. The gap between the poorest and richest economies continues to grow because the latter are technologically dynamic and constantly increasing their productivity, while the former, particularly in Africa, are failing to increase their educational and skill capacities. Much of the Muslim Middle East, except for Turkey and some of the Gulf mini-states, has become increasingly marginal to the world economy despite oil exports, and this is even truer for most of Africa. This sad fate of the once classically peripheral, primary-product-exporting economies in these regions gives comfort to those who still believe in dependency theory.

At the same time, the number of economies that can, or soon will be able to, compete with the more advanced ones is growing. Not only the “little dragons”—South Korea, Taiwan, Hong Kong, Singapore—but also India and China, as well as Malaysia and Thailand have experienced very rapid economic growth and have been integrated successfully into the world capitalist system. The same holds true in Latin America, particularly in Brazil, Mexico, and Chile, though on the whole enormous internal inequalities, government mismanagement, and corruption have hindered balanced development. In these once poor but now more promising parts of the world, every failure or setback, such as the Asian economic crisis of the late 1990s, or the collapse of Argentina, strengthens those who doubt that a capitalist world system can integrate many poor economies while fostering reasonable growth. On the other hand, every success story allows those who think dependency theory is nonsense to argue that, contrary to pessimistic projections, it is indeed possible to escape poverty without taking a revolutionary, anti-capitalist path.

It should by now be perfectly clear that the argument between those who accept some version of dependency theory and those who do not cannot be resolved by an appeal to empirical proof. There are enough development failures in the poor parts of the world to support claims that the cause must lie somewhere in the nature of the dominant capitalist world system and likewise enough successes to support the belief that inclusion in that system is the surest way out of poverty. Without trying to pretend that the debate can be settled, however, it is

still possible to come to some conclusions about its historical and contemporary relevance.

We can begin by pointing out that since the rise of a capitalist-industrial system in the late 1700s, the success of the advanced countries has not depended primarily on their exploitation of the poor parts of the world. The late Paul Bairoch, one of the foremost economic historians of the second half of the twentieth century, elegantly summarized the evidence by showing that even for England, which had the largest empire of any European country and was the most involved in trade with the periphery of the world system, the contribution of colonies and of the periphery in general to industrialization was minor. This was all the more true in other parts of Europe and North America. Bairoch concluded that the possession of a colonial empire actually slowed growth at home.⁸

The error of dependency theorists lay in thinking that a disproportionate amount of power alone provides lasting economic benefits. On the contrary. Spain's vast conquests in the New World enriched its monarchy and some of its nobles for awhile but did nothing to stimulate long-lasting growth. More recently, the vast Soviet Empire (admittedly not capitalist, but an empire nevertheless) failed to provide enough wealth to overcome the inefficiencies of socialism. Exploitation does not ensure lasting economic prosperity. In order to believe that, it is necessary, for one thing, to discount the effects of scientific and technological progress in the West, without which industrialization, at least as we know it, would never have occurred. But the most hardliner dependency theorists, among them Wallerstein, Giovanni Arrighi, Janet Abu-Lughod, or Andre Gunder Frank, simply don't believe in the importance of either scientific or technological progress and ultimately ascribe Western economic power to simple plunder.⁹ It is hard to reconcile this with the economic history of the past two centuries, but such notions certainly appeal to those on both the right and the left who desperately want to denounce Western progress. When looking at the history of the past three centuries, this would be reasonable if it weren't for the fact that it continues to be accepted dogma among intellectuals in some poor countries, both on the religious and nationalistic Right as well as on the Left, despite the fact that Western knowledge and technology is spreading throughout the world.

The historical evidence about the incorporation of peripheral societies into the Western-dominated world system should also give dependency theorists pause. In Eastern Europe, one of the original peripheries of Western capitalism, societies associated with the West for the longest period and most culturally Westernized have been and are today more prosperous and developed than their less-Westernized neighbors: Poland, Hungary, the Czech and Slovak Republics, Slovenia, and even Croatia are distinctly better off than the rest of Eastern Europe or Russia. Neither Russian imperial nor Soviet efforts to force the regions under their domination to catch up with the West altered this fact.

In noting that the advanced world has never really relied on its exploitation of the periphery to progress, Bairoch, on the one hand, emphasized that the unequal relationship between strong and weak economies had a much more drastic and negative effect on the peripheries than on the core. He accepted the argument that colonialism substantially deindustrialized India, that contact with the West hurt China, and that the large-scale importation of industrialized goods (chiefly textiles from the core economies, mostly Great Britain) in the nineteenth-century slowed Latin American development. Nor has anyone ever doubted that slave-trading damaged Africa, especially because of the disruptive wars it engendered.¹⁰ On the other hand, Bairoch denied the proposition that producing commercial crops for export damages economic growth in peripheral economies, and he accepted the notion that one of the reasons for the continuing low per capita incomes in the periphery is explosive population growth, itself a product of contact with the more advanced West.¹¹

We can easily see how the historical evidence fits with the contemporary situation. Whether through the slave trade, or colonial restrictions imposed on Indian manufacturing in the early nineteenth century, or unfair treaties imposed on weaker societies today by the European Union and the United States, the world system has worsened inequality. It is not a matter of primary exports having declining terms of trade, since there is widespread agreement that today one of the most damaging policies for the peripheral economies is the high level of protectionism given by the Europeans and Americans to their agricultural producers. Genuine free trade would help, not hurt, agricultural and textile exporters in the poorest parts of the world. The problem then is not that a worldwide trading system necessarily favors the rich core

and hurts the poor periphery, but that when those with the greatest power are regularly pushed into unfair trade practices by specialized and well-organized domestic interest groups, they cause disproportionate damage to the weak and the poor.

Unfortunately, this imbalance in power, noxious as it may be, obscures the more fundamental reasons for backwardness. The legacy of slavery and colonialism may have a lot to do with corruption, with the absence of property rights and stable, just legal systems, and with systematic bad governance in most African countries, but reasonable contemporary policy cannot rest on these facts alone. The past cannot be undone, and withdrawing from the contemporary world economic system only compounds the disaster. But neither can the problems be ignored as they cause even greater trouble for the affected nations once they have been incorporated into the capitalist system. The export of a few valuable commodities produces further corruption, and, as dependency theorists have argued, makes these nations fall ever farther behind. Oil wealth in Nigeria and Angola, for example, has fostered extraordinary kleptocracies that have left their people poorer than they were before they discovered oil. The oil-rich Arab countries are heading in the same direction, even though their low-density populations have so far prevented extreme catastrophe. It is entirely possible that the same will happen in former Soviet Central Asia. In other words, bad governance makes dependency theories plausible, even though economic dependence does not in itself produce disaster. Similarly, in the contemporary world, blaming an unfair global trading regime does not resolve the problems of either low investment in education or, in the case of many Muslim countries, of anti-Western, anti-Enlightenment teachings. Third Worldism, which emphasized economic closure and socialism, was a disaster, but intellectual closure and reliance on obscurantist traditions will be even more of a catastrophe.

So, where does this leave us? Theories of development and underdevelopment based on the notion that poverty in the periphery is caused by core exploitation are fundamentally misleading and offer mostly bad policy options for the present. Yet, there is enough truth to these theories, in the form of historical legacy and contemporary example, that they cannot be entirely dismissed. This means that ultimately, we need to follow more closely the example of careful

scholars like Berend. His ideological inclinations are very different from mine, but even conservative scholars can learn a lot from his balanced writings, which present enough evidence to show that no single theoretical stance is entirely adequate to explain the past or the present. Furthermore, as a true Marxist, he has never lost sight of something too many opponents of the capitalist world system have forgotten, namely, that it was Enlightenment notions of science, progress, and personal liberty that fostered progress. Marxism in its Leninist version may have failed as a theory of modernization, but Marx himself never abandoned his trust in rationality and objectivity, nor have his best followers, like Berend. Too many anti-systemic ideologues today have abandoned that trust. They would do well to go back and read more carefully the older and more traditional scholarship that we are celebrating today.

NOTES

- ¹ Ivan T. Berend, *Decades of Crisis* (Berkeley and Los Angeles: University of California Press, 1998), 71; James A. Gregor, *The Ideology of Fascism: The Rationale of Totalitarianism* (New York: Free Press, 1969).
- ² Berend, *Decades of Crisis*, 65–70.
- ³ On Manoiilescu and his influence in Latin America, see Joseph L. Love, *Crafting the Third World: Theorizing Underdevelopment in Rumania and Brazil* (Stanford: Stanford University Press, 1996).
- ⁴ Raúl Prebisch, *Change and Development: Latin America's Great Task* (New York: Praeger, 1971); Celso Furtado, *Economic Development of Latin America* (Cambridge: Cambridge University Press, 1970).
- ⁵ On Sauvy, see Robert Malley, *The Call from Algeria: Third Worldism, Revolution, and the Turn to Islam* (Berkeley and Los Angeles: University of California Press, 1996), 78.
- ⁶ The thesis was first put forward in Immanuel Wallerstein, *The Modern World-System* (New York: Academic Press, 1974) and expanded in many other works and articles. See Wallerstein, *The Essential Wallerstein* (New York: New Press, 2000).
- ⁷ Ivan T. Berend and György Ránki, *Hungary: A Century of Economic Development* (New York: Barnes and Noble, 1974); and Berend and Ránki, *The European Periphery and Industrialization, 1780–1914* (Cambridge: Cambridge University Press, 1982).
- ⁸ Paul Bairoch, *Economics and World History: Myths and Paradoxes* (Chicago: University of Chicago Press, 1993), 59–87.

- ⁹ Giovanni Arrighi, *The Long Twentieth Century: Money, Power, and the Origins of Our Times* (London: Verso, 1994); Janet Abu-Lughod, *Before European Hegemony: The World System A. D. 1250–1350* (New York: Oxford University Press, 1989); Andre Gunder Frank, *Capitalism and Underdevelopment in Latin America* (New York: Monthly Review Press, 1969).
- ¹⁰ Bairoch, *Economics and World History*, 88–110.
- ¹¹ *Ibid.*, 111–32.

CHAPTER FOUR

Development Possible? Possible Developments: A Research Agenda

IMMANUEL WALLERSTEIN

I. The Intellectual Debate

“Development” has served as a leitmotif of both intellectuals and political movements ever since 1945. What has been meant by the term is a very simple, basic idea. The initial observation is that there is an unequal distribution of wealth in the world. The basic question is whether there is something that states can do to augment their wealth and reduce the difference between those of low overall wealth and those of high overall wealth.

Almost everyone thinks there is something that can be done, although what this something is has been a matter of enormous and passionate dispute. The debate divides those of different political views and tends to divide as well those located in the wealthier states from those in the less wealthy states. However, we can cut through a lot of the variety of views by organizing them into two vast, basic groups: those who believe that development is the normal end product of economic growth, and that the road to economic growth is traversed by reducing all artificial barriers to the flows of commodities and capital across the world; and those who believe that development, that is national development, depends on transforming the internal economic structures of the state, which in turn necessarily requires a certain degree and particular form of economic closure, or protectionism.

This debate did not start in 1945, of course. The economic literature since the seventeenth century reveals that scholars have long discussed these issues and come down on one side or the other of this prescriptive divide. This literature is well-known now to virtually all who interest themselves seriously in this issue, and there is not much point in here summarizing the various points of view yet again. What

I would like to do instead is to explore the plausibility of a third view, one put forward by a few dissidents, especially since the 1970s. This is the viewpoint that development is not at all possible within the framework of the existing world-system, if by development we mean a process whereby all parts of the world will see a continuous rise of their overall wealth that will in turn cause disparities to disappear or be greatly reduced. Let me call this "the polarization thesis." I shall try to state the issues and suggest a possible research agenda for addressing them.

The intellectual problem may be defined in the following way. Over the past two centuries, the dominant view in the social sciences has been that the modern world shows a pattern of linear development in which all positive trends go upward in more or less a linear fashion (albeit perhaps at an uncertain speed), and that therefore, over time, discrepancies between the leaders and the laggards are overcome, the end point being a relatively homogenized world. This is certainly the basic argument one can derive from Enlightenment beliefs in progress as the defining pattern of social life. This view was shared by classical and neo-classical economics, by what was called Whig historiography, and by most of traditional sociology and anthropology.

While there were conservative social thinkers who demurred, often arguing the inevitability of permanent hierarchies, or of cyclical returns to earlier patterns, generally these thinkers had little purchase in the emerging world of the social sciences in the nineteenth century. Classical or orthodox Marxism, although very opposed to a liberal *Weltanschauung*, shared with its antagonist, by and large, the belief in the inevitability of progress and the linear upward pattern of social processes, although Marxists disagreed with the liberals on the motors and stages of this progression and, no doubt, on many of the details being described.

It was only in the post-1945 period that a number of analysts began to contest this linear model. Rather than viewing the modern world as a process of homogenization, in which gaps will disappear, many social scientists began to argue that the modern world exhibits a pattern of heterogenization and escalating polarization, which is itself the outcome of the way in which the modern world is structured. This view was strengthened by the quite separate emergence within the natural sciences of complexity studies, which argued against the ubiquity

of linear dynamic models in the physical world and suggested, on the contrary, that natural systems move inevitably far from equilibrium and, at a certain point, bifurcate radically.

The debate between the linear versus polarizing models of historical development has been expressed also in the language of convergence versus divergence. It follows from the linear model that ultimately, all zones (or countries) of the world-system will converge to an approximately equal standard of living, and also to similar political and cultural structures. It follows from the polarizing model that the opposite is much more likely, that over time the differences among the zones (or countries) will increase.

The empirical evidence relevant to this fundamental debate has been scarcely adumbrated, or rather, to the degree that the issue of evidence has been addressed, it has been addressed in a very partial way by concentrating on one or another variable, usually an "economic" variable, and never looking at the integrated patterns of the world-system as a whole. Obviously, if we look at a series of successive variables, we are going to find some social trends that have been linear upward, and some that have been polarizing. It is a question of identifying which variables have developed in what way, and to what degree, and then of assessing the overall mix that the modern world-system has created. We should then be able to see whether, as the "linearists" contend, there has been an overall reduction in differences or, as the "polarizers" contend, there have been emergent processes that are bringing into question the very continued existence of the present system.

To realize this project, we shall need to make our research large in scale and long in duration. The object of analysis must be the existing world-system as a whole over the five hundred years of its effective existence. Were we to succeed in giving an adequate portrayal of the historical realities of this system, we might be able to draw a nuanced assessment about this fundamental theoretical debate and provide the basis not only for envisaging probable future trends but also for drawing conclusions about the policy and/or political implications of our work. Such a portrayal would require data on a whole series of fields or loci of social activity that are relevant to the overall process, whose interrelations would then have to be spelled out in some detail. Let us call these separate fields or loci "clusters," since each is in itself a complex structure.

II. The Research Clusters

Rather than using a standard set of categories—political, economic, social, cultural, and military, for example—and therefore presuming their separate logics and structures, it might be more useful to try to establish crucial nodes of social activity or organization that often cut across these standard categories. Of course, the clusters are not gated entities. The activities included in any one cluster overlap in many ways with those of others, but each cluster provides a discrete node of activity and therefore a vantage-point from which to assess the basic issue: linearist vs. polarizing trends. A possible set of clusters follows.

- (a) Access to wealth, lifetime income, health, and welfare.
- (b) The growth of cities and their geographical inequalities, including ports and flows of commodities, transport, in-migration, and the role both of the formal and the informal economy.
- (c) The decline of the centrality of rural zones (deruralization), and its consequent impact on the rural work force (including depeasantization), the strategies of rural households, the presence, if any, of out-migration, and the place of the informal economy.
- (d) The expansion of state power (military, police, bureaucracy, and taxation), and the expansion of the role of the interstate system.
- (e) The rise of citizenship, including both inclusion and exclusion, claim-making in its multiple forms, and all varieties of social movements.
- (f) Gender, women, and sexualities (including shifting concepts of “normality” and institutional constraints).
- (g) Clustering of people (both identities and institutions): households, classes, status-groups, imprisoned/constrained groups, armies, and organized non-state armed groups.
- (h) Ecology, natural resources, energy, and infrastructure.
- (i) Social norms, forms of homogeneity, cultural practices, and institutions (educational systems, media), including the degree to which these are formalized in laws.
- (j) Enterprises and corporate power, both legal, para-legal (informal production), and illegal (*mafiosi*), including concentration and monopolization of enterprises.

- (k) Trans-national cultural communities (ethno-racial, religious, and trade diasporas).

III. What Are We Supposed to Learn about These Clusters?

Let us start with the cluster concerning access to wealth. This is the one most frequently analyzed in terms of development. There are of course multiple different measures that can be used, and indeed have been used. There have been fierce debates about the correct ways to measure overall well-being in a country (GNP or GDP per capita, PPP, etc.). Using any or all of these measures, there are a number of questions we can ask: Is the pattern linear upward, polarizing, or both (upward in absolute terms, polarizing in relative)? How do straightforward wealth indicators relate to quality-of-life indicators? To what degree are countries that are not too far apart on wealth indicators quite far apart on quality-of-life indicators?

Has real remuneration for work been going up? (Across the world, or only in some parts; for relatively low-skilled workers, for intermediate cadres, for high-level managers?) Can we say that employment levels of working-age persons are greater, less, or the same as two hundred years ago? Are populations more likely to have one full-time, year-round job or multiple partial-time jobs (whether within the week or seasonally). Are the patterns in wealthier and less wealthy zones more or less different today?

As the major mode of access to higher economic status, the structures and institutions of education must be analyzed. We have to determine whether the mode of access to education has become more equal or less equal overall, and therefore we have to examine the patterns of the mode of access to education. Are the traditional modes of access (via class status) disappearing or are they being maintained *de facto* by so-called meritocratic measures and by residential variables that affect expenditures for education? In terms of the distribution of education, are the loci of higher education becoming more evenly distributed; is their quality converging or diverging? We have also to calculate the now considerable brain drain, which reinforces polarization and indeed could be considered a mode of transferring cultural capital from the peripheries to wealthier core zones. Overall, the worldwide linear

increases in education are obvious, but are the gaps between wealthier and less wealthy decreasing or increasing?

As for health measures, we need to look carefully at the increase in life expectancy, so often used as a prime argument for linearity. What differences would we find if we looked at expectancy not from age zero, but from age one-day, or one-year, or five-years? Does this amend the discrepancies in terms of world distribution? Public health measures are generally considered an indicator of linearity, but is the maldistribution of medical facilities and personnel, and of the physical and economic access to health facilities in fact giving us more polarized results? Might it be that the migratory patterns of health personnel associated with brain drain are undercutting convergence?

In the end, only an integrated look at the whole set of variables will begin to give us a sense of whether the distribution of wealth throughout the modern world-system is indeed less disparate or more polarized than it was five hundred years ago.

With the two next clusters, which deal with cities and rural areas, we must begin with demographic analysis, as this is often the starting point of linear analyses. We know that the world has become steadily more urbanized; that is, that the world's human population has become less scattered over the world land mass, and we know also that the overall population of the world has increased, and increased considerably. We know also that a major demographic shift occurred over the past two centuries, from a situation in which, on the whole, marriages were early, births were multiple with many children not surviving long, and life-spans were relatively short, toward a situation in which marriages (or at least procreations) are later, births relatively fewer, infant mortality rates lower, and life-spans longer. While this pattern has manifested itself worldwide, the onset of the shift has occurred at different times in different places, earlier in wealthier parts of the world. Does this fact mean that, as of 2000, the gap in these demographic patterns between different parts of the world-system was smaller, greater, or about the same as in 1800, not to speak of 1500?

Migration, a kind of step-ladder phenomenon that has been greatly facilitated by improved modes of transportation, has always been considered a basic national demographic variable. Mass migration, from less wealthy to wealthier places, has been largely a tactic used by people seeking that upward mobility brought by better economic

situations (and sometimes also less oppressive political/social situations). A typical pyramid might consist of Nicaraguan rural dwellers moving to Nicaraguan towns, Nicaraguan town dwellers moving to Costa Rica, Costa Ricans moving to the United States, Costa Rican migrants in the United States moving from lower-class residential areas to higher-class locations. Official statistics detect primarily that part of the pyramid associated with legal border crossings, and thus they fail to detect much of what is actually going on in the pyramid of upward migrational mobility. Another direction of migration, however, has moved people outward, from dominant areas to dominated areas, as settlers, conquerors, or skilled personnel (permanent or temporary). Finally of course, there is migrant return. Given that world population figures have been going up steadily, what is the difference over the centuries in the percentage of world population that has “migrated” (remembering that, in earlier centuries, much of the migration did not cross state frontiers, and even then, was unlikely to be very well measured)? Are more and more parts of the world subject to “inward” (towards core zones) migration? Are more or fewer areas of the world subject to “outward” (from core to peripheral zones) migration?

Given the degree to which states are involved in and largely responsible for the increase of domestic wealth, analyses of development have been weakened by their tendency to ignore state structures, except insofar as those structures promote the formulae analysts think are likely to facilitate development. But state structures develop too and these changes affect not only their ability to promote policies, of whatever sort, but also the likelihood that they will prefer one kind of policy over another. Therefore state structures also may be thought of as converging or diverging, and this factor becomes a major part of any analysis attempting to determine whether or not the processes of the world-system are linear upward or polarizing.

For example, presumably the size of state bureaucracies (as well, of course, of the bureaucracies of enterprise and of “civil society”) has been increasing, but has it been increasing evenly or in polarized fashion? How about levels of efficiency of the bureaucracies? Can we find some rough measure of this factor (perhaps a percentage of theoretically expected taxes collected), and then measure whether the differential between core and periphery on such a measure has gone down or has increased?

Are there ways to measure popular participation in government other than percentage of eligible voters who vote? Is involvement in NGOs a useful measure? Can we use poll data (obviously only for the past seventy-five years) on legitimacy of government and citizens' ability to influence it, or measures of direct activity to see whether the patterns are converging or diverging? Can we use mass demonstrations—resulting in change of government policies, change of regime—as a measure of participation? If we were to obtain such measures, then we might correlate them with GINI-measures or something similar, in order to ascertain the degree to which these political measures affect the economic ones (or vice versa).

We are constantly talking in the development literature of the political liberalism of regimes; that is to say, the space for dissent and opposition, the limits on executive authority (by the legislature, the judiciary, and/or popular forces). And here there have been two schools of thought which are directly opposed one to the other, about the degree to which political liberalism aids or is an obstacle to increasing wealth, and whether increased wealth has, or does not have, the consequence of increased political liberalism. But the obvious question of whether states today are converging or diverging on such measures is seldom pursued, and even less as one moves the analysis back historically.

One of the political variables is military strength. There are a number of different aspects which can be measured in terms of linearity versus polarization. The first is expenditures, both absolute and as percentage of national wealth or national budget. Of course, here we have to be careful to compare relatively long periods of time—say a century—with similar previous periods, so as to escape the ups and downs associated with the rise and decline of hegemonic powers. The second is the degree, frequency, and efficacy of aggressive military action (across state borders) by stronger states seeking to impose their will militarily on weaker ones. This must be distinguished from the frequency and efficacy of “great powers” seeking to achieve dominance over other great powers. We need also to look at the frequency and efficacy of the attempts by medium-size states to control and/or dominate smaller states. What needs to be measured is not only actual military activity, but also dominance via threats that suffice to achieve the objectives, as well as the change, if any, in the political constraints on aggression. Is it easier or more difficult to be aggressive today than in

the past? This is a crucial measure in terms of polarization. And, as a subordinate question, is it easier for one or a few at the top to be aggressive, but more difficult for medium-size states to be aggressive? The third factor is defensive capacity. How much expenditure does it require to ensure one's ability to defend? Does nuclear proliferation increase the ability to defend? Has there been an increase of guerrilla (non-formal army) modes of defense? The fourth is military-civil relations. Has the autonomy of military forces decreased or increased, and is the pattern the same everywhere, or more polarized?

Finally, one needs to feed into the analysis patterns and levels of real taxation and its consequences for welfare-state expenditures, three in particular: education, health, and lifetime guarantees of income. We have already noted the issues about education and health, but what about lifetime guarantees of income? These have clearly increased, since they barely existed before the modern world-system. These include financial transfers for children, unemployment and retraining possibilities, and pensions. So once again the worldwide pattern is linear upward, but has this occurred evenly or in a polarized fashion?

While there seems little doubt that taxation levels have gone up historically, as have what we now call welfare state expenditures, this process, too, is very uneven. It is quite possible that the gaps have been increasing and increasing radically. The story is probably the same when one considers the extent of corruption. Though corruption is obviously a constant reality everywhere, the question still remains whether there is significantly less today than previously (as is often casually asserted), and whether the differential between wealthier and less wealthy states has been converging or diverging.

When it comes to what might be considered social variables—citizenship and its realities, gender and sexuality, group identities—there are enormous literatures on each that in some sense presume a linear pattern. Citizens have more rights than previously, gender is less divisive in consequence, attitudes towards sexualities are more liberal or tolerant, and the centrality of group identities is somehow less. Once again, all of these well-known verities have been challenged in recent decades, and the picture is murky. But if these are measured in such a way to reveal their geographies, can we see a pattern that is converging or diverging?

Leisure patterns are another crucial social variable. We have moved from a world in which "leisure" has been the privilege of a

very small minority (although there were always very local, very occasional “leisure activities” such as festivals) to one in which it is now available to a large number of people. But however defined, is the percentage of time devoted to leisure activities actually increasing, and if so, in an even or polarized fashion? Does the increasing commodification of leisure/sport activities have a polarizing pattern? Is the very location of “leisure locations” an instance of convergence or divergence?

Typically, in these discussions, so-called cultural variables are considered interesting but definitely separate matters for analysis. This seems quite incorrect, because here too we wish to see whether there is linearity or polarization, and how the cultural shifts affect the overall relationships. Once again there are several aspects to be analyzed.

The first general variable concerns changes to religious doctrines and organizations. Over the past five hundred years, we seem to have moved from the relative geographical segregation of religious adherents to a situation of relative overlapping via migration and conversions. But are the patterns of overlapping within regions true of all regions or only of some? And how has the overlapping affected the ability of states to create citizenship patterns and relative political stability? There has also been an increase of secularism (free-thinkers, non-observant nominal adherents of various religions, etc.). But, especially recently, there has been the emergence of so-called fundamentalist/integrist movements. Has this change occurred similarly in all regions, or are there significant regional variations? Has proselytism increased or decreased? And, in particular, do the differences reflect a more polarized pattern? Or is there a linearist convergence to basically similar social roles for religious doctrines and institutions?

A second variable is the cultural evaluation of sexualities, which encompasses far more than social and political shifts. To what degree has there been a pattern of liberalization of sexual mores in multiple ways everywhere (ergo linearity) or an increasing gulf between zones (ergo polarization)?

The third variable is the role of the media, a consequence of the evolving structures of the world-system. The physical expansion of multiple kinds of mass media has inserted a new major structure into

social life, but of course with varying levels of economic ability to sustain the media and of consumer access to its products. Have the consequences been similar (equally important) in different regions of the world, or also polarized, and to what degree?

The arts constitute a fourth variable. The number of art structures of all kinds has obviously expanded considerably, as has the degree of commodification, but it seems equally obvious that these patterns are uneven. How uneven? If one puts together commodified structures and popular, non-structured (or less commodified) structures, how different is the pattern in different regions of the world?

And finally there are the variables of computers and the internet, with all the questions of access and control that they entail. Here at least there is public discussion about the “digital divide.” Is this merely a transitory phenomenon, destined to be overcome in the coming decades, or is this fundamental and expanding?

A crucial phenomenon that has political, economic, and cultural consequences is the role of what might be called transnational cultural communities—religious organizations, ethnicities, intellectual concerns, class position, for example. How much difference is there in size and social importance between, say, the Huguenot “international” of seventeenth-century Europe and al-Qaeda today? And what is the relative impact on different parts of the world-system? Are these consequences or causes of the polarizing realities? Is there a kind of super-cultural convergence of these structures?

And last, but surely not least, come patterns of economic institutions. Does the passage of time reveal clearly centralizing, clearly convergent patterns, as neoliberal and orthodox Marxist theorists have both long been arguing (and indeed preaching), or has there been a growing divergence between different parts of the world-system in terms of the private and public institutions that have grown up, and the degree to which local control plays a significant role in the economic outcome? Have the patterns of “informal” employment changed over time? Are these patterns today more or less likely than earlier to be a polarized phenomenon? Have *mafiosi* phenomena increased or decreased as a percentage of economic activity? Is there more or less monopolization of industrial activities? And whatever the answers to these questions, is there more, or less, polarization?

4. The World-Systemic Picture

Obviously, the mere accumulation of a series of empirical calculations will not tell us very much. The crucial issue is the degree to which the various cluster patterns are interwoven, or put another way, suppose each other. Researchers face a daunting interpretative task as they attempt to understand the resultant fabric, and there are no simple formulas to assist them. But even a simple analysis of these individual clusters can provide a useful provisional answer to the basic question put forward in this research proposal: is development, as it has been conventionally defined, possible for more or less everyone? And once we have an answer to that question, perhaps we can also begin to see the outlines of the answer to the next one: What are the possible developments in the future?

The trouble with most studies of development is that, confined as they are to specific times, specific places, specific variables to measure or to analyze, they cannot answer this question, since they implicitly assume that development is indeed possible, and that the central intellectual issue is to discover by what means particular groups, areas, or countries can in fact perform correctly such that they accomplish the desired end. This assumption may be correct, but it first must be established.

To say this is not to denigrate in any way the enormous number of extremely useful analyses of these issues, especially when grounded in solid empirical research. Without this incredible work over the past one hundred fifty years, and especially the past fifty years, we would not be able even to think about the kind of overall assessment that we have been suggesting in this paper. Nor has the need for such work ceased to be incredibly important. But it is to suggest that we cannot avoid the synthetic research that takes into account in an integrated way all the clusters of which we have been speaking, if we are to make serious progress on understanding the overall picture of the modern world-system and of what is and is not possible within its framework.

Section 2

FROM THE EUROPEAN PERIPHERY TO THE CORE AND BACK

CHAPTER FIVE

Between Center and Periphery

EUGEN WEBER

“The Court despises the City [Paris], the City despises the provinces [la province], the provinces despise the countryside [les champs].”

That entry is taken from the *Encyclopaedia* of Diderot and d’Alembert in 1765, under the heading “Provincial.” But the pejorative implications of the term go back at least to 1669, when Molière’s *Monsieur de Pourceaugnac*, featured a thick-headed oaf of a nobleman from Limoges, and was applauded by Louis XIV and his Court. A hundred years later, provincialism would become a stereotype for gaucherie, lack of elegance and refinement, general lumpishness that evokes backhanded compliments at best: as in “She has quite pretty eyes for provincial eyes,” which sounds much better in French: “*Elle a d’assez beaux yeux, pour des yeux de province.*” Then the Court drops off the screen, Versailles becomes just another small provincial town, and France is left to what Balzac calls “one of the great evils of modern society”—the stark division between center and periphery, Paris and the provinces.

We are talking about a time-specific situation: the hundred years or so during which the living conditions and manners of the better-off urban population diverged markedly from those in the countryside, which largely retained the isolation, dress, dirt, discomforts, forms of behavior, and speech of earlier times, while cities developed the comforts and fashions, hygiene, diet, and cultural standards unfamiliar to their rural contemporaries.

Mentalities and living conditions have differed throughout history on all sorts of grounds. But the nobles of the seventeenth and eighteenth centuries who lived at Versailles, though better served and better dressed, were just as malodorous, parasite-ridden, and short of

water, sewers, and comfortable means of transport as their serfs. By the nineteenth century, there were no more serfs, and more of the better-off than in earlier ages had access to cologne. Yet living conditions had diverged more sharply than ever, not just between the privileged and lower classes, but also between most urbanites and non-urbanites. While Paris and a few other urban centers forged ahead in architecture and urban planning, information, entertainment, lighting, and communications, large parts of France ignored these changes and continued to live materially and culturally in the seventeenth century. We know the role that schools and military service played in narrowing the gap between the two worlds. I want to suggest more attention be paid to the function of small towns in a process that contemporaries described as “civilization,” and one which we might more generally describe as urbanization.

Paris-la-ville represented power, of course, but also elegance, refinement, sophistication, culture, hustle and bustle—all of them positive attributes. The provinces, as in the past, represented just the opposite. And the most provincial of the provinces were not urban centers like Bordeaux or Lyon, Toulouse or Marseilles, but the small towns denounced by sophisticates as epitomes of tedious, torpid boredom, and stick-in-the-muddishness, that were actually cores of activity, economy, fashion, and attraction for their smaller regions. As peripheral as it gets, the countryside was only marginally part of this equation, insofar as it produced the labor force, raw materials, and revenues that subsidized both *la ville* and *la province*. In rural areas (meaning most areas), collecting these revenues, or in other words, sucking them in, then pumping them out, was the function of little towns, their landowners, their notables, and their notaries. Before the day of banks (a condition pretty much nonexistent outside cities until the nineteenth century) savings went into land, urban real estate, small-scale local industry or, simply, on display. After the 1830s, Paris realized the wealth there for tapping; and provincial savings and provincial capital became a target of itchy metropolitan palms—a theme found in “realistic” novels.

The small towns that offered a range of goods and services broader than one could find in surrounding villages were left to pump in people, capital, materials, then to pump much the same out again; but resources that had been processed and transformed to fit a wider world, the needs and standards of which were determined by the

center. Links, brokers and intermediaries between local and external economy and culture, these small towns contributed to the urbanization and civilization of hitherto insular or semi-isolated communities, and to the adoption of values, habits, expectations and ways of life that nineteenth-century urbanites called modern.

In 1865, Hippolyte Taine, traveling through the country as a school examiner, described the situation in his diary: "The provinces are another France, under the thumb of Paris, which civilizes them from afar by its commercial travelers, its garrisons, its colonies of administrators, its newspapers and, a little, by its books": in other words, country towns were an indispensable part of the civilizing process.

But small towns have trouble catching the historian's eye. The great *Histoire de la France urbaine* deals mostly with Paris and large urban centers. What Stendhal's *Mémoires d'un touriste* describes as small towns are mostly of middling size—above 10,000 or larger. Lesser places are left to doctoral candidates and local scholars, so that we don't know much beyond what a few statisticians and novelists have told us about them. Yet, in 1851 there were 230 towns in France with a population between 5,000 and 10,000, and only 14 towns over 50,000. In 1901, the comparable numbers were 370 and 40. On the eve of World War I, over one-third of district capitals (*chefs-lieux d'arrondissement*) had fewer than 5,000 souls, including several with fewer than 2,000 that nevertheless played an important part in local economy and politics.

These little towns held their own through two centuries. During the first half of the nineteenth century rural populations declined, but small town populations remained pretty stable. In the second half of the twentieth century, French population grew 52 percent, while that of townships between 5,000 and 10,000 grew 200 percent. So whilst immigration built up cities, it also swelled or maintained the population of local centers. Millions of French men and women left their birthplace to live and work somewhere else. But two-thirds of these never went beyond their department: some went from one village to another, many from village to market or factory towns that provided staging points in classic step-by-step migration where experience of lesser centers worked their way up to become larger ones.

The importance of these lesser centers comes out well in a novel by Henri Bachelin, one of the few nineteenth-century writers to focus

on this kind of place. He sets his novel in western Burgundy at the *fin de siècle*, in the department of the Nièvre, less than two hundred miles from Paris—writing about a prosperous peasant from a village called Bussy who journeys to Corbigny, ten miles away. Clamecy, sub-prefecture and industrial center, is twenty-odd miles off; Nevers, the country town, is as far away yet again. Yet for this man, who is neither poor nor stupid, Corbigny with its population of 2,000 is not just a little town: it is *the* town: “He has never seen the two closest sub-prefectures, Clamecy or Château-Chinon. He has no basis for comparison. For the past century, tens of millions of rurals have seen nothing better or greater than the chief town of their district. There, in the shops on the Main Street or in the Market Square, they find everything they need. And more than that: bookstores, milliners, and tailors. They can gaze on town hall and courthouse, church, school, hospital, tax office, gendarmerie, not to mention hotels and cafes they only enter on fair days when the inns are full.”

That picture provides a fair idea of what little towns are: administrative, trading, and service centers for the surrounding countryside. This is what sets them apart, what makes them essential, what keeps them alive in a rural setting. So their rural functions are primordial. But their modernization functions are crucial too. Railway halts, when they appear, suggest novel kinds of architecture, while posters near the ticket offices advertise opportunities for pilgrimage, travel, tourism, and tickets at reduced prices. Bookshops sell Paris newspapers and novels that reveal the world, society, goings-on beyond local limits; and suggest ideas like socialism or anticlericalism. Schools teach a common language, French; but also introduce gymnastics and sports. The well-to-do display Parisian styles and novelties, which the less-well-to-do adopt in their fashion; so that, as the century draws to a close, cheap ready-mades for example are sold and worn even in darkest Auvergne.

There are compromises between tradition and novelty. At Dourdan, only forty miles south of Paris, the coming of the railway in 1865 inspired pious images showing travelers to paradise in first-, second-, and third-class carriages. One lifetime later, around 1900, a rich farmer buys the first automobile to be locally owned. But before he shows it off, he installs a whip, without which no carriage is properly equipped; after which he goes off to flaunt his acquisition in town.

At this time, around 1900, urban population accounts for 41 percent in France. In districts headed by little towns, urban population is less than 12 percent and in the towns themselves one-third of the residents work in agriculture: in fields, vineyards, orchards, and market gardens. But liberal professions and civil servants account for 11 percent, trade and transportation workers for 14 percent, and *rentiers*, living on rents and investment income, for another 11 percent. It is these categories that make small centers crucial in their *pays*, their particular region, and enable them to act as relays for urban activities: economic, religious, political, legal, and administrative. Notaries, landowners, *rentiers*, and shopkeepers all function as ad hoc bankers, lending and extracting money so that rural revenues flow into town. But these revenues are redistributed in wages (which increase familiarity with cash), in credit, and in infrastructure like local roads, bridges, gasworks, and waterworks, which are planned, secured, and partly financed from town. So townsfolk tax, exploit, and consume; but they also redistribute, employ, heal, preach, and teach.

They provide schools, boarding schools, and boarding facilities with local families. They hold *comices agricoles*: fairs like the ones in *Madame Bovary*, with incentives and prizes for cattle and agricultural products. They send out professors of agriculture to improve breeds, to sponsor new activities and techniques. And their demand itself stimulates rural productivity and enterprise, wears down rural underdevelopment, reduces underemployment, provides models for rural imagination, whether market-driven or political. It's in nearby towns that peasants see gaslight in the 1830s, and electricity and running water in the 1890s, where they discover political meetings and other kinds of entertainment as well.

They also find employment. Not always, but often enough to make a difference, the little town provides a stage for initiatives that dynamize a locality and turn it into a hub and magnet for rural immigrants. Le Creusot in Burgundy was an eighteenth-century hamlet where coal close to the surface spurred the first open pit mines on a small scale, then an interest in artisanal ironwork. At the end of the eighteenth century, the noble landowner, inspired by English example, begins to turn coal into coke, good for smelting the iron deposits nearby. By 1781 an English-model foundry is casting iron with coke, using the steam engine that Watt had developed fifteen years before, and

spurring the cutting of a canal between the Loire and Saône rivers to ease the transport of fuel and ores, and the shipment of products. The canal was finished just in time for the wars of the Revolution and Napoleon to use Creusot cannon and Creusot shells.

In the 1830s, after a trickle of bankruptcies, the works were taken over by a family of Alsatian origin called Schneider, several generations of which would race and then overtake British advances. In 1838 they produced the first completely French locomotive; in 1839 the first French iron-hulled steamship; in 1840 they installed a giant steam hammer that increases productivity tenfold. And, by 1870, one of their engineers sketched the project for a great metal bridge across the English Channel. Eighteen-seventy is not a good year for building bridges; but the Schneider empire marches on regardless. The population of Le Creusot—less than 1,000 when the nineteenth century began—rises to 22,000 in the 1870s, and stabilizes above 30,000 as the century ends. One-out-of-two of the town's inhabitants work for the Schneiders. So Le Creusot is a company town; and thereby hangs the best part of the tale.

Because the Schneiders are great believers in cooperation between labor and management, their paternalism operates from the cradle to the grave. They want a contented (and obedient) workforce operating as an extended family, so they look to town planning, the greening of Creusot, and its architectural harmony. The town gets clean drinking water when most places can only yearn for it. The Schneiders discourage dram shops and cafes that incite dissipation; they build churches and chapels; they subsidize decent worker housing, not crime-ridden barracks but separate pavilions set in their own gardens; they let these dwellings at low rents or, better still, sell them at low prices with interest-free loans. Sooner or later the factory provides security of employment, a savings bank, health coverage, a pension fund for retirement at sixty-five, pensions for widows and orphans, a cooperative, a hospital free to workers and their families, and meals served, not in canteens, but by waitresses in plant restaurants. After 1837, schools are founded "to provide for the moral and intellectual needs of the population and the economic interests of the factory." No man is hired who does not know how to read and write. And the schools teach not only children but their mothers, illiterate peasant women, not just to read and write and reckon, but to keep a clean working household.

They teach the same to little girls, and order, economy, and household management as well. The adult males take courses designed to train them as draftsman, mechanics, engineers, or accounting clerks: a diversified mechanism of social promotion from peasant expectations to middle class ones.

Utopian, self-interested, or, more usually, both, such social policies are exceptional neither in the nineteenth-century factory towns, nor in rural mining, textile, and metallurgical centers that want to attract and retain a loyal labor force. Still the Schneiders are iconic. As time goes on their company builds, subsidizes, provides all of the following: allotments, a horticultural society, a gym, fencing and boating facilities, a tennis club for its engineers, a billiard room, a charming park with bandstand and a Punch-and-Judy show, a library and, in due course, a velodrome. Wherever the Schneiders set up shop, in mining villages or dockyards, social and leisure facilities copy the home-town facilities at Le Creusot. So the multiple modernities of the firm's showcase irrigate a half-dozen pays—not least is the department of Saône-et-Loire, source of over 90 percent of the workforce.

There is little labor turnover, little evident social dissatisfaction until the turn of the century, and much pride at being part of a great enterprise. In 1856, when the Creusot's population stood around 10,000, a "spontaneous" petition signed by 5,000 asked that the locality be renamed Schneiderville. That doesn't get anywhere. But in 1898, when Henri Schneider dies, 40,000 people attend the funeral. The following day, the black mourning drapes that covered local churches and chapels are cut into lengths and distributed to the local poor, so they can turn them into clothes.

There are less spectacular ways in which hamlets turn into towns and begin to affect the economy around them. In timber country, when urban demand for firewood slackens because cities begin to heat with fuel oil, small-town landowners and lumber merchants replace native oaks with fir trees which (notably in places like Saulieu, better known for the hostelry La Côte d'Or) they still ship to Paris today as Christmas trees. Municipalities pull strings to attract a garrison, which produces welcome entertainment like band concerts and parades, and also trade and employment to shopkeepers, tavern-keepers, washerwomen, domestics, and stable personnel. Wheelwrights learn to turn out crinoline frames, then bicycles, and finally automobiles, as the

Peugots did in Montbéliard. Farmers turned local industries such as cheese making, market gardening, fruit growing, or the manufacture of hats, combs, corsets, and household implements into export industries, which not only continue to provide traditional jobs but also create new ones to handle the construction and packing of boxes and crates, and the shipping of local products. Towns stimulate tourism and pilgrimages wherever possible. No stick-in-the-muddishness there.

To take one unexpected example, a glance at Saint-Claude in the Jura mountains, close to Switzerland. In the twelfth century, discovery of the miraculously preserved remains of an eighth-century abbot turned the hamlet into a pilgrimage center and spurred production and sale of pious paraphernalia: crosses, chaplets, trinkets, statuettes carved out of the boxwood that abounds in the surrounding mountains. In the eighteenth century, when pilgrimages lagged, the locals switched to making toys, snuffboxes, above all tobacco pipes from boxwood, horn, metal, porcelain. Around mid eighteenth century, briar roots allowed them to carve out pipe bowls that won't burn out, smell bad, or taste lousy. Pipe production takes off, and so does population which rises from 5,000 in 1839 to 12,000 in 1911. By that time, Saint-Claude is producing twenty-eight million briar pipes a year and shipping them all over the world. In 1920, one-third of the population (four thousand workers) was turning out over forty-three million pipes.

Meanwhile the town had added another string to its bow: diamond cutting, facilitated by water power that turned their grinding stones. In the late eighteenth century, a German jeweler named Strass had invented imitation diamonds. In his wake, nineteenth-century workshops produced synthetic diamonds, rubies, sparkling stones of every sort. That industry trickles on. But pipes are still the backbone of employment; and the city prospers on a vocation that has not let it down. In the process, this peripheral locality has acquired impressive public works and up-to-date urban equipment that operate as a shop window of modernity: asphalted roads and sidewalks, direct-to-sewer drainage, schools, infirmaries, hospitals, public housing, a library, a museum, a police station, a fire station, bands, theatres, sporting societies, cooperatives, and mutual aid societies, a *Maison du Peuple*, the full complement of political parties, and a constellation of hamlets and villages get busy cutting imitation jewelry or cambering pipes on domestic installations resembling sewing machines.

All of which advances regional absorption in the central culture of the modern nation: France. The long-standing project, most explicit since the Revolution, has been not just about control of the periphery by the center, but also about cultural penetration, integration, and assimilation of regions, once insular and distinct but increasingly revolving around the center as part of a common system. Administration, education, communication, and politicization were all assigned roles in this mutation; and historians have described how they played their parts. In all this, I wished to insinuate that another participant and player in this process of cultural colonization has been, of all actors—the little towns.

CHAPTER SIX

Core, Periphery, and Civil Society

JÜRGEN KOCKA

I

Ivan Berend is one of the pioneers of the *core-periphery* approach, and this essay discusses the uses and limits of this conceptual scheme.¹ Although mainly concerned with economic history, this scheme also embraced the realms of culture, political structures, and international relations.² I am one of those historians who, in recent years, have been experimenting with the concept *civil society*.³ The following article tries to bring these two approaches together, with the aim of developing a comparative model of European societies during the “long nineteenth century.”⁴

The core-periphery concept seems to lend itself well to comparative analyses. Such an approach is interested, first and foremost, in identifying similarities and differences between the core countries of Western Europe and the nations of the European periphery (defined by Berend as the “ring of countries surrounding the core—Scandinavia, the countries of the Iberian Peninsula, the Italian states, the Balkans, the eastern regions of the Habsburg Monarchy and the Russian Empire”) with respect to economic advancement or backwardness, and with a special emphasis on industrialization. In certain respects, the approach is influenced by the modernization paradigm, because it invites researchers to ask how the core influenced the periphery: “The relationship is fundamentally an unequal one and benefits the core. It is often destructive of the periphery, but it can also be an inducement to development, serving—under appropriate conditions—to lift the area from its peripheral position.” The latter point has been raised also by the work of Immanuel Wallerstein and hints of it can perhaps also be seen in the writings of Alexander Gerschenkron. In the light of more

recent debates, which are partly inspired by “postcolonial” themes, investigating the impact of the periphery on the core might also be of great interest.⁵

Is it possible to use the civil-society paradigm to elicit additional knowledge of core–periphery relations? In my opinion, the answer is “yes,” so long as the civil-society concept is used with a discrimination that never loses sight of its history. It has been used in so many very different ways and so often instrumentalized in political debates to have become impregnated with certain associations. Its meanings are vague. Because of this complicated usage, it is important here to review the essential meanings that *civil society* has acquired over time, and the roles that the concept has played, before proceeding with a novel application.⁶

II

For centuries, civil society has been among the central concepts in European political thought. In the medieval and early modern periods, until the seventeenth and eighteenth centuries, the Aristotelian concept of *politiki koinonia* or *polis* survived, translated as “*societas civilis*,” “civil society,” “*société civile*,” or “*bürgerliche Gesellschaft*.” Notwithstanding its polymorphous use, three aspects of its meaning remained relatively constant. First, *societas civilis* was seen as distinct from and transcendent to the sphere of the household, that is, a realm outside the sphere of work and reproduction. Second, there was no clear delineation between civil society and the state; quite the contrary, one spoke of “*societas civilis sive res publica*,” that is, a community not yet internally differentiated by the distinction between society and state. Third, civil society usually had something to do with the ways in which localities, houses, families, estates, and individuals lived or should have lived together. Its meaning transcended the strictly particular; it had to do with common things, with the common well-being, with the commonwealth, with general aims, with virtues and vices, with *res publica*.

In the seventeenth and eighteenth centuries a redefinition took place, in the process the modern meaning emerged, as was the case with so many central concepts of our social and political language. Increasingly, civil society was understood as a *process* of *civilizing*, or as

civilization defined by a new type of difference: difference from “nature” or difference from “barbarism.” This was tied to the emergence of a new kind of European self-understanding; one which opposed the European world to the non-European. In these eighteenth-century discourses civil society was defined in various ways, related to different semantic fields. For example, in the writings of David Hume, Adam Smith, and the French Encyclopédistes, civilizing and civil society had a lot to do with industry, commerce, and property. Work, or *travail*, became a centerpiece in the social order, which these authors hoped to promote and which they sometimes called civil society. In the writings of Moses Mendelssohn, for another example, one finds remarks on civilizing by education and culture, on *Bildung* of the intellect and of the senses, while taste, sociability, and *savoir-vivre* also play roles. In the writings of a third group of authors, *Zivilisierung* was related to overcoming particularistic restrictions, to emancipation from the limits of birth, estate, or even gender. Take Immanuel Kant as a case in point. For him the concept *bürgerliche Gesellschaft* opened up the ideas of “mankind” and “*une société qui embrasse tous les hommes*.” In all cases, civil society was a concept that stood in contrast to violence, barbarism, and chaos.

The ever present normative dimension to the concept became more visible as time progressed. Here, the essential change came with the incorporation of “civil society” into the critical apparatus of the Enlightenment. In this new role, the concept, sometimes oriented towards utopian goals, proved particularly valuable in challenges to tradition and the status quo. “Civil society” was now a *Bewegungsbegriff* (Reinhart Koselleck) with an anti-traditional, anti-corporatist, modern flavor: critical of the past and oriented towards the future. It stood for a project not yet fulfilled but worth striving for and realizing.⁷

In the eighteenth century and later, the concept acquired additional specificity, as “civil society” was distinguished from “the state,” or even put in opposition to the state. This happened primarily in the languages of countries with absolutist governments, that is, on the European continent, and less so in England. “*Bürgerliche Gesellschaft*,” Kant wrote, needs “*Mitgenossenschaft*,” which can be freely paraphrased as: civil society needs the self-organized and voluntary cooperation of its members.⁸ According to this view, *Vereine*, or voluntary associations, are the fundamental building blocks of a civil society. Such a society

must be based on self-organization, not on dominance and obedience (*Oberherrschaft* and *Unterwürfigkeit*). In this manner civil society became a concept with an anti-absolutist thrust, with an orientation towards the autonomous citizen of the future, into which the dependent subject of the present would hopefully develop.

In those discourses, the relation of civil society to state was complex, much more than a simple antithesis. On the one hand, the idea of civil society belonged to the core of the liberal vision, which emphasized changing the government—that is opposing the state—by means of due process of law, public opinion, and parliamentary representation. Civil society in this respect was defined by its relation to the public and, ultimately, to government and the state; it implied, at least as a goal, access of citizens to the political sphere. On the other hand, the kind of civil society that was being sought needed the support of law, representative institutions, and a more liberal state. In other words, the very existence of civil society depended on support from the state.

It was in the nineteenth century, under the influence of spreading capitalism and early industrialization, and under the impact of new forms of inequality and emerging class structures, that the concept received yet another modification, especially in German, in the works of Hegel and Marx. The *bürgerliche Gesellschaft* became even more clearly distinguished from the *Staat*. Now it became understood as a system of needs, labor, and markets, of negotiation and contract, of particular interests, conflicts, and contradictions: understood more as a “bourgeois society” dominated by the economic middle classes than as a “civil society” made up of citizens (*Bürger*). In German, the terms *Zivilgesellschaft* and *bürgerliche Gesellschaft* had long been used synonymously and with positive connotations. Now, the term *Zivilgesellschaft* was pushed aside by the term *bürgerliche Gesellschaft*, the latter of which, until very recently, was increasingly used as a critical and polemical concept, both within and without Marxist traditions. The traditional, positive meaning of “civil society” or “*société civile*” was retained longer in English and in French, as in the work of Tocqueville. On the whole, however, until roughly 1980, the term played only a very minor role in most Western discourse, in spite of exceptions like the writings of Antonio Gramsci.

In the late twentieth century, the term “civil society” made a brilliant comeback, assuming a central position in the anti-dictatorial

critique of the Soviet bloc coming from East Central Europe. In Prague, Warsaw, and Budapest, dissidents such as Václav Havel and Bronisław Geremek and intellectuals like Iván Szelényi and György Konrád used equivalents of the term in their respective languages to speak out against one-party dictatorship, Soviet hegemony, communism, and totalitarianism in favor of freedom, pluralism, and social autonomy. Perhaps Gramsci's use of the term as a revisionist tool played a role. Exchanges between academic visitors from the West and intellectuals in the East Central European cities played an important role. This question needs to be studied. There may have been other roots too, in the radical Left in Latin America and South Africa. What is clear is that after the early 1990s, the term spread quickly in academic and political discourse. Now it is used worldwide in various political climates, by centrists, leftists, and liberals, by communitarians and anti-globalization activists, and by authors such as John Keane, Ralf Dahrendorf, Charles Taylor, and Jürgen Habermas—always with a positive connotation. The revived term has been translated back into German as *Zivilgesellschaft*, in order to avoid the still critical, polemical thrust of “bourgeois” which, in German, was associated with *bürgerliche Gesellschaft*.⁹ In general, in the twentieth century, civil society became attractive in the context of struggles against dictatorial regimes that clearly represented its negation.

In the non-dictatorial Western world, the term fit into the general political and intellectual climate in at least three respects. First, it emphasized social self-organization as well as individual responsibility, reflecting a widespread skepticism towards paternalistic state forms. Towards the end of the twentieth century, many had come to believe that the interventionist state had reached its limits by regulating too much and becoming overburdened. Second, civil society, as demonstrated by its use in contemporary anti-globalization movements, promised an alternative to the unbridled capitalism that was developing so strongly all over the world. The term thus reflected a new kind of critique of capitalism, since the logic of civil society, which is determined by public discourse and responsibility, conflict and agreement, promised solutions different from those of the logic of the market, based on competition, exchange, and the maximization of individual benefits. Third, civic involvement, meaning efforts by citizens to achieve common goals, was central to civil society no matter how differently those goals were

defined.¹⁰ In the greatly individualized and partly fragmented societies of the late-industrial and post-industrial periods, civil society promised an answer to the challenging question of what holds society together at all.

In short, there was—and is—a concern that states, or governments, are overreaching themselves. There was—and is—the fear that markets are becoming overly dominant and all-pervasive. There was—and is—the worry about a possible over-individualization of our social and cultural fabric with unpleasant political consequences. These three concerns define the present collective mental situation and explain why the concept of civil society is so attractive today in large parts of Europe.

It should be clear that the concept has belonged to many in history, from those who spoke of uncivilized nature and barbarism, to those criticizing violence and war, or fighting against tyrannical states and capitalist domination; finally to those fearful of social fragmentation. With changing “owners,” the definition of civil society has also changed. The concept, therefore, is quite hard to capture.

Still, if one understands the reasons for its attractiveness now, the contexts out of which it emerged, and the semantic baggage that it carries, one can attempt to offer a working definition. I would like to distinguish three dimensions here: first, civil society as a type of social action; second, civil society as a sphere or space lying between the economy, state, and private sphere; third, civil society as the core of a project not yet fulfilled. Understood as a specific type of social action, civil society is characterized by an orientation towards conflict, discourse, and agreement in public; civil society is defined by its emphases on individual independence, collective self-organization, non-violence, and plurality, and by its orientation towards general concerns reaching beyond strictly particularistic interests and experiences. Understood as a social sphere or social space, civil society encompasses a multitude of initiatives, networks, associations, and movements, related to but distinguished from government (or the state), business (or the market), and the private sphere, as well as dominated by the type of social action defined above. Understood as a core element of a project not yet fulfilled, civil society preserves part of the utopian thrust bequeathed to it by the Enlightenment. This is where the descriptive-analytical concept becomes most clearly normative, and where some of the most important debates about it occur.¹¹

III

In the *Berlin Centre for the Comparative History of Europe* we have elaborated and explored this concept since 1998 and used it for developing a set of questions designed to relate different dissertation projects to one another. The projects have covered a broad range of topics, including the nobility in a Baltic region (Kurland) around 1800; the perception of cultural differences by German travelers in Poland and France in the Vormärz, 1815–1848; opera houses and local society in Leipzig, Prague, and Lvov in the nineteenth century; journalism and politics in the Czarist district of Saratov around 1900; work and education in the labor movement of Leipzig and Pilžen, 1870–1914; the intelligentsia, cultural organizations, and nationalism in Romania and Czechoslovakia in the early twentieth century; and business circles and lobbying practices in West Germany and England after World War II. These were different and specialized projects, but they were connected by their focus on problems of the history of civil society as defined above. We paid particular attention to thinking and working across the West European–East European divide that has structured historical research in Germany for so long, making the study of East Central, Southeastern, and Eastern Europe a separate and autonomous sub-discipline while mainstream history deals with German developments and the West. Overcoming this split was one of the motives for establishing the Center, and the concept of civil society was chosen to facilitate this task.¹²

Civil society, of course, is a concept from the “core,” which claims universality, despite its Western provenance. Is it appropriate for reconstructing developments in the “periphery,” in this case Eastern, East Central and Southeastern Europe? I want to present some findings from the research project just mentioned.

First, in the Balkans, large parts of the intellectual and political elites have been oriented towards the West during most of the nineteenth century. By advocating modernization, scientific progress, secularized education, constitutional forms of centralized government, social self-organization, Western lifestyles, and sometimes even democracy and capitalism, they were revealing a commitment to principles that belong to the project “civil society,” even though they rarely

used the concept explicitly. Certainly, there were controversies, intense ones, between those who supported a “return to Europe” after the long period of separation due to the Ottoman occupation and those who would have preferred to preserve and develop a unique Balkan regional identity. The second group, however, lost out. A new political system, modeled on Western European states, was instituted in a short period of time.

With the Ottoman withdrawal, the Balkan societies (except Romania) were left “incomplete,” “eliteless,” since the traditional upper classes left the region along with their Ottoman overlords. Those who became dominant spokesmen for and influential reformers of the political system thus were not recruited from a traditional indigenous upper class but from the small, ambitious, bourgeois stratum. This new elite included the offspring of merchant and peasant families, academics and intellectuals, bureaucrats and military men, the *nouveaux riches* and *homines novi*. These were mostly Western-educated urban dwellers. It has been said that their outlook was shaped by a “double shock”: the encounter with another civilization abroad and the renewed encounter with their own civilization after returning home. In the West they selectively perceived patterns and institutions, which, set against the background of their culture of origin, appeared particularly admirable; back home they perceived, more than anything else, attributes that, viewed through the prism of the foreign culture, appeared particularly backward and problematic.¹³ The members of this newly emerging urban bourgeoisie adopted Western lifestyles and actively supported a fast-developing, very lively, diversified culture of voluntary associations. Women’s clubs were particularly numerous, but youth associations, reading societies, cultural and educational organizations, sports clubs, cooperatives, and self-help initiatives were also popular. Funded from private initiative, these organizations resembled associations found in other parts of Europe with respect to social composition and urban habitus.¹⁴

While all of these points seem to reveal that civil society is not an alien concept to the modern history of the Balkans, there is, nevertheless, overwhelming evidence that shows a marked distance between the social realities of that region, on the one hand, and a well-grounded model of civil society, on the other. There was little in the previous history of the Balkans on which the institutions and the spirit of civil society could have been built: neither the extended household, nor the

patriarchal village community, nor the Orthodox Church offered anything comparable to the individualized property rights and collective forms of urban and rural self-regulation that appeared in the West in the early modern period and facilitated the rise of civil society. In the post-Ottoman Balkans, therefore, civil society had no indigenous roots and consequently was relatively artificial, or at least insular and weak. Reform came “from above” in the Balkans, in a series of tradition-destroying actions on the part of a self-appointed elite, acting against the will and in face of much resistance from the general population. The rifts between the towns and the countryside, and between the lives of the large rural and illiterate masses and the small modernizing elite in the towns remained extremely deep. Even in the towns, where most reformers lived, the modern habits of the few were frequently superimposed on older practices. One consequence was that modes of reciprocity that had facilitated exchanges and relations in the traditional Balkan societies became expressions of clientelism and corruption in the context of the new model. In other words, behind the façade of reform, old forms continued their existence.

The voluntary associations that came into existence displayed characteristics that clearly violated the principles of civil society. On the one hand, since these groups could not build on traditions of public and non-violent conflict resolution facilitated by limited government and the rule of law, many operated as (or remained) secret (clandestine) societies, often with strictly hierarchical, authoritarian structures, occasionally with paramilitary traits and terroristic inclinations. On the other hand, since the experiments with civil society were deeply intertwined with the process of nation building, nationalism became the most important formative principle of many associations. Towards the end of the century, this nationalism had become ethnically based, exclusive, divisive, and immensely aggressive. Consequently, pluralism never became an accepted principle of associational life in the Balkans. And this meant its evolution followed a very different road from its Western counterpart.¹⁵

The Polish case resembles the one in the Balkans but offers some unique characteristics.¹⁶ Here, too, the concept of civil society played no role in the social and political language of the long nineteenth century, and intellectuals and reformers, comparing their region unfavorably with the West, perceived it as backward, or as a kind of periphery

which they hoped would catch up.¹⁷ As in Serbia, Greece, Romania, and Bulgaria, a multitude of voluntary associations emerged, with multiple functions ranging from social self-help through the promotion of culture, education, and science to outright party-based, political action. These Polish, civil-society-style organizations were particularly strong and energetic, since in a situation of political division and foreign rule they assumed responsibilities—in the fields of culture (establishing theatres) or education (Polish language literature)—that elsewhere were taken care of by public authorities. As in other countries of the European periphery, the birth of civil society in Poland went hand in hand with a quest for national identity, directed against a political structure under the hegemony of foreign powers that prevented the creation of a nation state. It follows logically, therefore, that nationalism also greatly influenced the development of civil society in partitioned Poland, and that, as elsewhere in the decades leading up to the Great War, nationalism turned from a more open to a more exclusive form, ethnic in definition, illiberal, and frequently anti-Semitic.

There are some additional observations to make about the case of Poland. Janowski, for example, uses the concept of civil society in a rereading of the writings of Polish political thinkers who framed their ideas in different terms but with comparable goals. He shows that the widely discussed and broadly spread concept of “organic labor” (*praca organiczna*) resembled the concept of “civil society” in its stress on voluntary association, individual commitment to the common good, education, civility, public debate, and planning for the future. But there the similarities ended, for the Polish social groups who supported the idea and practice of civil society were quite different from their Western counterparts. In contrast to Germany, for example, Poland lacked a large, indigenous, business community and layer of *Bildungsbürger* (professionals, academics, academically trained civil servants, etc.). Indeed, the business stratum in Poland consisted mostly of non-Poles, specifically Germans and Jews, and thus was ethnically distinct from the intelligentsia. It was certainly the intelligentsia along with Catholic priests who promoted Polish civil society, a situation similar to the one in Southeastern Europe. In contrast to the Balkans, however, the social basis of civil society was broader in Poland. It included important elements of the Polish nobility, which, as a group was notoriously numerous and committed to the Polish cause. In this way civil society in

Poland had a better grounding and acquired a much more indigenous flavor than in the Balkans.¹⁸

Finally, it should be stressed again that the absence of an indigenous state structure—in the Polish case, division and domination by three foreign powers—gave Polish civil society a specific thrust that it lacked, both in the post-Ottoman Balkans, or in Germany and countries further to the west. To quote Janowski: “Where national freedom is curtailed, where civilizational challenges exist (with respect to which one is conscious of one’s own backwardness), indigenous elites tend to do without direct political action and concentrate on groundwork (*praca u podstaw*).” This, he thinks, holds true also in the Czech and Hungarian cases.¹⁹ One might add that the thrust against the foreign-dominated state structures as they existed in Poland throughout the long nineteenth century, inspired Polish civil society with an anti-hierarchical and anti-authoritarian spirit that mitigated its illiberal, ethno-nationalist traits.

IV

Scholars do not all agree that applying the concept of civil society to Eastern Europe is a valid way of exploring the region’s history. Some have found surprisingly strong, though isolated, elements of civil society in the cities of late Tsarist Russia, yet others have rejected the approach because they fear that its use might lead to overlooking or distorting the East European reality in different ways. I want to close with a few general remarks on this question.²⁰

Working with the concept of civil society in studying the history of Eastern Europe may be dangerous, as the concept lends itself to a selective and potentially misleading reconstruction of the historical record. For example, such a treatment helps to analyze the mid-nineteenth-century urban life of Serbia but may be insensitive to indigenous rural structures of community and reciprocity that have survived both Ottoman rule and post-Ottoman modernization. Applied in a straightforward way, the concept of civil society produces few surprises: from West to East, the degree to which civil society principles have been realized diminishes. Nevertheless, an analysis using the concept of civil society has its merits. When sensitively applied,

it can lead to the identification of both similarities and differences in kind (not only to statements on the different degrees to which civil society was realized). It can produce information to assist in the development of a more differentiated comparative model. Further, such comparisons may shed new light on the history of civil society in the West, as well as in Europe, in general: (1) The social basis of civil society (that is, the social quarters and groupings which support it the most) has varied from region to region over time. While there was a certain affinity between middle class cultures and civil society everywhere during the nineteenth century, other parts of the social basis of civil society varied. These variants explain the different degrees of the grounding of civil society as well as its different profiles. (2) The relation between civil society and the national state proves to be decisive. The energy, functions, and opponents of civil society have depended on the context in which it developed, whether inside a given state structure, slowly changing into a nation state, or outside such a structure, or even against the given system of political organization. (3) Civil society developed differently in ethnically homogeneous and ethnically heterogeneous milieus (with many shades on both sides and in between). Civil-society patterns and cultures were most likely to become perverted into an exclusive, divisive, and digressive—that is, ultimately uncivil—pattern if they fused with nationalism in an ethnically fragmented society.

As far as the core-periphery approach is concerned, this article has emphasized that there were many different peripheries. It has not shown, but it could be shown, that there are as many different cores. Usually one can discover a continuum of possibilities between core and periphery. Germany, for example, lies somewhere between what Ivan Berend considers periphery and what he considers core. In fact, gradual differences and qualitative differences dominate so much in the field of social and cultural history that the dichotomic approach of core versus periphery, being derived from economic history, may easily be misleading.

The core-periphery approach stresses the influence of the core on the periphery and the dependence of the periphery on the core. Such relations certainly have played roles in the history of civil society, particularly on account of the Western European orientation of the Eastern European elites who were so active in driving reforms. It

has become clear that attempts towards imitation often produced unintended results and novel structures, rather than replication of the model. Certainly, more elements and other forms of the core's impact on the periphery could be identified by studying migration and cultural encounters and by taking economic dependence into account. It would be rewarding to turn the relationship around and investigate influences from the periphery on the core. Maria Todorova has emphasized the role that images of the Balkans have played for the Central and Western European self-understanding. Bernhard Struck has studied the impact that traveling through Poland had on the way in which Germans perceived French culture and vice versa.²¹ Many other examples could be identified, such as the rediscovery and re-evaluation of the concept of civil society by Central and Eastern Europeans in Warsaw, Prague, and Budapest in the 1980s. This rediscovery has had a strong impact in the West and has led to a renaissance of the concept worldwide.²² Without it this essay would not have been written.

NOTES

¹ Ivan T. Berend and György Ránki, *The European Periphery and Industrialization, 1780–1914* (Cambridge: Cambridge University Press, 1982).

² Cf. *ibid.*, 26; and also Berend, *Decades of Crisis: Central and Eastern Europe Before World War II* (Berkeley and Los Angeles: University of California Press, 1998), 3–11; John W. Cole, "Culture and Economy in Peripheral Europe," *Ethnologia Europaea* 15 (1985): 3–26.

³ Cf. Jürgen Kocka, "The Difficult Rise of a Civil Society: Modern Germany 1800–1990," in *Industrial Culture and Bourgeois Society: Business, Labor, and Bureaucracy in Modern Germany* (New York: Berghahn Books, 1999), 275–97; Manfred Hildermeier et al., eds., *Europäische Zivilgesellschaft in Ost und West* (Frankfurt/Main: Campus, 2000); Nancy Bermeo and Philip Nord, eds., *Civil Society Before Democracy* (Lanham: Rowman & Littlefield, 2000); Frank Trentmann, ed., *Paradoxes of Civil Society: New Perspectives on Modern German and British History*, rev. ed. (New York: Berghahn Books, 2003); Arnd Bauerkämper and Manuel Borutta, eds., *Die Praxis der Zivilgesellschaft. Akteure, Handeln und Strukturen im internationalen Vergleich* (Frankfurt/Main: Campus, 2003); most recently: Konrad Jarausch, *Die Umkehr. Deutsche Wandlungen 1945–1995* (Munich: Deutsche Verlagsanstalt, 2004).

⁴ It is interesting to note that Berend and Ránki, in *European Periphery and Industrialization* (p. 7), were speaking of the "long nineteenth century" already in 1982; cf. Jürgen Kocka, "Comparison and Beyond," *History and Theory* 42 (2003): 39–44.

- ⁵ The quotations in this paragraph are taken from Berend and Ránki, *European Periphery and Industrialization*, 8–9; there is an explicit reference to Immanuel Wallerstein, *The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century* (New York: Academic Press, 1974). But also see the paradigmatic “Introduction” in Alexander Gerschenkron, *Economic Backwardness in Historical Perspective: A Book of Essays* (Cambridge, Mass.: Belknap Press of Harvard University, 1962). On the impact of postcolonial thought on the present approaches to “entangled history,” see Sebastian Conrad and Shalini Randeria, eds., *Jenseits des Eurozentrismus. Postkoloniale Perspektiven in den Geschichts- und Kulturwissenschaften* (Frankfurt/Main: Campus, 2002).
- ⁶ Aspects of the following chapter have been discussed in Jürgen Kocka, “Civil Society from a Historical Perspective,” *European Review* 12 (2004): 65–79; again in John Keane, ed., *Civil Society: Berlin Perspectives* (New York: Berghahn Books, 2006); also see Jürgen Kocka, “Civil Society in Nineteenth-Century Europe: Comparison and Beyond,” in *Historical Concepts between Eastern and Western Europe*, ed. Manfred Hildermeier (New York: Berghahn Books, 2007).
- ⁷ See for the term *Bewegungsbegriff* Reinhart Koselleck, “Einleitung,” in *Geschichtliche Grundbegriffe*, ed. Otto Brunner et al. (Stuttgart: Ernst Klett, 1972), 1:xvi.
- ⁸ Immanuel Kant, “Metaphysik der Sitten,” quoted in Manfred Riedel, “Gesellschaft, bürgerliche,” in *Geschichtliche Grundbegriffe*, ed. Otto Brunner et al., 2:757.
- ⁹ For details and references see Jürgen Kocka, “Zivilgesellschaft als historisches Problem und Versprechen,” in *Europäische Zivilgesellschaft*, ed. Manfred Hildermeier et al., 14–20; Peter Wagner, ed., *The Languages of Civil Society* (New York: Berghahn Books, 2006). A basic survey is Riedel, “Gesellschaft, bürgerliche,” 2:719–800, esp. 2:732–67 (2:749 Hume, 2:751 Mendelssohn, 2:757–59 Kant). See Antonio Gramsci, *Quaderni del carcere* (1929–35), ed. Valentino Gerratana, 4 vols. (Torino: Einaudi, 1975), 751f., 800f., 1028. On Gramsci see Norbert Bobbio, “Gramsci and the Concept of Civil Society,” in *Civil Society and the State: New European Perspectives*, ed. John Keane (London: Verso, 1988), 73–99; Andrew Arato, “Civil Society Against the State: Poland 1980–81,” *Telos* 47 (1981): 23–47; Bronisław Geremek, “Die *Civil Society* gegen den Kommunismus. Polens Botschaft,” in *Europa und die Civil Society: Castalgandolfo-Gespräche 1989*, ed. Krzysztof Michalski (Stuttgart: Klett-Cotta, 1991), 264–73; John Keane, *Civil Society: Old Images, New Visions* (Cambridge: Polity Press, 1998), 12–31; Trentmann, “Introduction,” in *Paradoxes*, ed. Trentmann, 3–8. On the very limited role of the concept “civil society” in the Polish debates of the 1980s, see Agnes Arndt, *Intellektuelle in der Opposition. Diskurse zur Zivilgesellschaft in der Volksrepublik Polen* (Frankfurt/Main: Campus, 2007).
- ¹⁰ See, for example, Jürgen Schmidt, *Zivilgesellschaft. Bürgerschaftliches Engagement von der Antike bis zur Gegenwart. Texte und Kommentare* (Reinbek: Rowohlt, 2007).

- ¹¹ Usually, this third dimension is absent in the definitions of civil society. See Trentmann, "Introduction," 3–46, an overview of pertinent literature, which rejects the normative dimension and stresses the historical fluidity of the concept. Fragmentation is stressed and violent groups are not excluded in the notion of civil society used in Sheri Berman, "Civil Society and the Collapse of the Weimar Republic," *World Politics* 49 (1997): 401–29. The definition offered in this paragraph stresses the distinction between civil society and the market. But see John Keane (*Civil Society*, 6), who includes large corporations and other economic institutions as parts of civil society. Including family in the sphere of civil society is Gunilla-Friedrike Budde, "Das Öffentliche des Privaten. Die Familie als zivilgesellschaftliche Kerninstitution," in *Die Praxis der Zivilgesellschaft*, ed. Bauerkämper and Borutta, 57–75. I would distinguish between private and civil-society dimensions of families.
- ¹² The Center was founded and directed by Hartmut Kaelble, Manfred Hildermeier, Jürgen Kocka, and Holm Sundhaussen. It was supported by Free University Berlin, Humboldt University, Berlin, and the Volkswagen Foundation. For this see, Arnd Bauerkämper, "Centre for Comparative European History," *European Review of History* 10, no. 3 (2003); Arnd Bauerkämper, "Das Berliner Zentrum für Vergleichende Geschichte Europas," *Jahrbuch für Europäische Geschichte* 4 (2003): 277–84. The different projects and their interdependence are described in Jürgen Kocka, "Nachwort. Zivilgesellschaft," in *Die Praxis der Zivilgesellschaft*, ed. Bauerkämper and Borutta, 429–39. In 2004 the Center was changed into the Berlin School for the Comparative History of Europe, supported by the Henkel Foundation and the Hertie Foundation—see the contributions by Hartmut Kaelble and Manfred Hildermeier to *Transnationale Geschichte. Themen, Tendenzen und Theorien*, ed. Gunilla Budde et al. (Göttingen: Vandenhoeck & Ruprecht, 2006).
- ¹³ Cf. A. Habibi, "Diktatur ohne Alternative? Der politische Diskurs in Albanien 1925–1939," in *Autoritäre Regime in Ostmittel- und Südosteuropa in der Zwischenkriegszeit*, ed. Hans Lemberg et al. (Paderborn: Schöningh, 2001); Ivan T. Berend, *History Derailed: Central and Eastern Europe in the Long Nineteenth Century* (Berkeley: University of California Press, 2003), 183 (on the "incomplete," "eliteless," Balkan societies). On the intra-elite debates see G. Varouxakis, "The Idea of 'Europe' in Nineteenth Century Greek Political Thought," in *Greece and Europe in the Modern Period: Aspects of a Troubled Relationship*, ed. Ph. Carabott (London: Centre for Hellenic Studies, 1995), 16–37; S. M. Džaja, *Bosnien-Herzegowina in der österreichisch-ungarischen Epoche (1878–1918). Die Intelligentsia zwischen Tradition und Ideologie* (Munich: Oldenbourg, 1994); Holm Sundhaussen, "Chancen und Grenzen zivilgesellschaftlichen Wandels. Die Balkanländer 1830–1940 als historisches Labor," in *Europäische Zivilgesellschaft in Ost und West*, ed. Hildermeier et al., 149–77, esp. 172f.
- ¹⁴ Cf. Sundhaussen, "Chancen und Grenzen zivilgesellschaftlichen Wandels," 160–66; M. Marinescu, "Frauen als Vermittlerinnen des westeuropäischen

- Einflusses in Rumänien um die Jahrhundertwende,” in *Die Stellung der Frau auf dem Balkan*, ed. Norbert Reiter (Wiesbaden: Harrassowitz, 1987), 177–88.
- ¹⁵ Cf. Sundhaussen, “Chancen und Grenzen zivilgesellschaftlichen Wandels,” 164–66, 171; Dietmar Müller, “Nationalisierte Zivilgesellschaft. Ungleiche Staatsbürger in Rumänien 1890–1910,” in *Die Praxis der Zivilgesellschaft*, ed. Bauerkämper and Borutta, 231–249; Dietmar Müller, *Staatsbürger auf Widerruf. Juden und Muslime als Alteritätspartner im rumänischen und serbischen Nationscode. Ethnonationale Staatsbürgerschaftskonzeptionen 1878–1941* (Wiesbaden: Harrassowitz, 2005); Holm Sundhaussen, “Nationalismus und Gewalt im Osteuropa der Zwischenkriegszeit. Terroristische Separatismen im Vergleich,” *Berliner Jahrbuch für Osteuropäische Geschichte* 2 (1996): 273–314.
- ¹⁶ Maciej Janowski and Philipp Ther have related the idea of civil society to the Polish case. See Maciej Janowski, “Gab es im 19. Jahrhundert in Polen eine Zivilgesellschaft? Erste Überlegungen,” in *Die Praxis der Zivilgesellschaft*, ed. Bauerkämper and Borutta, 293–313; Philipp Ther, “Zivilgesellschaft und Kultur. Programmatik, Organisation und Akteure gesellschaftlich getragener Theater im 19. Jahrhundert,” in *Die Praxis der Zivilgesellschaft*, ed. Bauerkämper und Borutta, 189–212; Janowski, *Polska myśl liberalna do 1918 roku* [Polish liberal thought until 1918] (Kraków: Znak, 1998; English ed.: *Polish Liberal Thought before 1918*, Budapest: CEU Press, 2004).
- ¹⁷ Cf. Berend, *History Derailed*, 89–134, which offers examples for the whole area east of the German lands and southeast of Austria.
- ¹⁸ Cf. Janowski, “Gab es im 19. Jahrhundert in Polen eine Zivilgesellschaft,” 312ff.; Berend, *History Derailed*, 186f. (large numbers of the Polish *schlachta*); Ther, “Zivilgesellschaft und Kultur,” 189ff.; Jiri Kořalka, *Tschechen im Habsburgerreich und in Europa 1815–1914. Zusammenhänge der neuzeitlichen Nationsbildung und der Nationalitätenfrage in den böhmischen Ländern* (Wien: Verlag für Geschichte und Politik, 1991). Also see Zdzisław Kowalewski, *Spółeczeństwo obywatelskie w doświadczeniu historycznym* [Civil society in historical experience] (Warsaw: Pax, 1991).
- ¹⁹ Janowski, “Gab es im 19. Jahrhundert in Polen eine Zivilgesellschaft,” 314, 300.
- ²⁰ As to Russia, see Manfred Hildermeier, “Russland oder wie weit kam die Zivilgesellschaft?,” in *Europäische Zivilgesellschaft in Ost und West*, ed. Hildermeier et al., 113–48. For the rejection of the concept in an anthropologist’s study of Hungarian rural and small-town life in the late twentieth century: Chris Hann, “Zivilgesellschaft oder Citizenship? Skeptische Überlegungen eines Ethnologen,” in *ibid.*, 85–109.
- ²¹ Maria Todorova, *Die Erfindung des Balkans. Europas bequemes Vorurteil* (Darmstadt: Primus, 1999); Bernhard Struck, *Nicht West - nicht Ost. Frankreich und Polen in der Wahrnehmung deutscher Reisender zwischen 1750 und 1850* (Göttingen: Wallstein, 2006).
- ²² Cf. above [page 169].

CHAPTER SEVEN

Conceptions and Constructions: East Central Europe in Economic History

HELGA SCHULTZ

In recent decades historians have increasingly lost their confidence in the possibility of showing “how it exactly was.” One result is the reflection on the limits of knowledge achieved through the historical study of sources, while a turn towards the deconstruction of historical images and national myths is another result. Such self-enlightenment is certainly necessary. However, the loss of confidence in historical truth becomes a problem for historians, if it leads to an estrangement from the real historical process and towards postmodern agnosticism. Ivan Berend’s works avoid the pitfalls of deconstruction. He has written the “great story” of East Central European history, asking for the roots and reasons of backwardness and nationalism. His works are based on the question of East Central Europe’s place in the history of the continent as a whole, of the region’s otherness with respect to the West. Berend takes the past for cognizable, great questions for indispensable in knowledge, and the master narrative for the mission of the historian. Favoring this approach, let us proceed to examine some influential paradigms in the historiography about East Central Europe.

Introduction: Construction and De-Construction of a European History

“The Making of Europe” is a series being published in many European countries with the intention of establishing European integration through a common historical image. Well-known researchers give answers to the following questions: Who are we? Where do we come from? Where are we going? Thereof an interpretation and memory community should emerge, which ought to form a common European

identity.¹ This prominent series is a sign that shared features and inter-connection in the history of the European peoples have become central themes in the documentation of history today. If this new historical image is to provide a European identity capable of belonging to all of Europe's citizens, then it must discard the occidental orientation of the image affixed during the times of the Iron Curtain.² A united Europe must accept as its roots the Byzantine and Ottoman heritages alongside those provided by the Romans, and the aristocratic eastern European cultures alongside the urban cultures of the Mediterranean and western European towns. It must recognize the inequality of the regions as a fundamental fact of European history.

A "European" image of history is by nature no more than a construction, as is the case with the "national" histories that have been used by states to define their borders against each other since the nineteenth century. If the European image of history is to be able to banish the national myths founded on the victories and victims that have been the result of struggles with neighboring countries, then Europeans must also form a "community of forgetting." Yet, for people to remember their own atrocities and at the same time forget their sufferings at the hands of their neighbors runs counter to the rules according to which collective memory functions.³ Consequently, the historical task facing Europe today requires that we find ways to circumvent certain basic rules of human psychology.

Two different typical approaches to the historical construction of Europe are to be distinguished from each other. The first flatters the European self-image. We can call it "Neo-Eurocentrism." It tells the great story of the "European miracle," of the rise of Europe from the barbarianism of the Early Middle Ages to the pinnacle of a Western civilization treated as the center of world history.⁴ The second tells a dark story that directly contradicts the tale of European miracle. It analyzes Europe from the perspective of non-European places and concentrates on Europe as an exporter of violence, a colonizer bent on world hegemony, all in the name of freedom, democracy, and human rights.

The story constructed from the first approach traditionally begins with the acknowledgment of Roman heritage in the form of Latin Christianity, which, in contrast to the Orthodox Christian and Islamic heritages, proved open enough eventually to accommodate

reformations like the Lutheran and the Calvinist. An additional building block is the development of the autonomous town constitution, which was brought to the East and the North by colonization during the High Middle Ages. The town culture acted as the cradle of a European bourgeoisie. During the Industrial Revolution this social group achieved economic emancipation from hunger and plagues through technological advances, and Europe became the “unbound Prometheus.” The urban burghers supported the Enlightenment and in their newly defined role as “citizens” won the revolutionary emancipation of the bourgeois nation-states. These new states, in turn, became the guardians of human rights and were rebuilt in the form of the social state in the course of the twentieth century.

The second approach has several contemporary variations. An early proponent of the dark view of European history is Immanuel Wallerstein, who developed the theory of the European world system. He perceived the birth of an insatiably growing European-created capitalism as the biggest accident in world history, one which ultimately destroyed the balance that agrarian civilization had provided for the world.⁵ Another proponent is the great Spanish economic historian, Josep Fontana, who views “Miracle Europe” through the eyes of others, that is, of non-European peoples. He sees in European history nothing but a very bloody special path of world history, paved with the victims, destroyed cultures, and shattered possibilities for autochthonous development. Fontana also shows the European farmers and masses in modern European societies as the losers in the great elitist project of progress. For him the Early Modern Age is an “age of suffering” associated with despotism, inquisitions, witch-hunts, and long wars, involving countless victims. This path continued during the twentieth century.⁶ That Fontana’s bitter review appears in the series *The Making of Europe* illustrates the impossibility of finding a consistent answer to the basic questions of identity: “Who are we? Where do we come from? Where should we go?”

Be it the path to salvation or to harm, in these approaches it is always an occidental, that is, a West European, history that is told. Yet Europe consists of several great historical regions, differentiated according to geography, historical fate, culture, and economy. Despite this fact, the far northwest of the continent has provided the quasi-normative from which definitions of Europe have been constructed and

against which all European regions have been compared and evaluated, at least until recently. Even the most influential views on East Central European history outlined in the following pages have the western European model in the background.

Concepts of East Central European History

1. East Central Europe as the Periphery

From the perspective of the world system described by Wallerstein, East Central Europe can be analyzed fruitfully as an economic periphery linked to the West European core. Core–periphery relationships are relations that appear to have developed earliest in the cereal trade of the Dutch with Polish lands during the sixteenth century.⁷ Wallerstein bases his claims on the research of Polish economic historians, mainly Marian Małowist.⁸ In this telling of history, Polish aristocrats, blinded by the silver coins, which the traders from Gdansk offered on behalf of the Dutch, began to turn their peasants into serfs and to force them into inappropriate compulsory labor in order to change to cereal production on a grand scale. Strong aristocracy and serfdom, accompanied by rudimentary trade and industrial development in lands east of the Elbe-Saale-Leitha-Line are thus the downside of the European miracle in the West.

This structuralist explanation was founded on an assumption of the “otherness” of East Central Europe, an assumption which reinforces the notion of symbiosis behind the idea of core–periphery relations. In this view, East Central Europe belongs to the European world system, but not to Europe itself, which is limited to the northwestern “core” of the continent. The dependence of the East Central European periphery on the West European center shows traits of colonial exploitation, with the exploited and the exploiter fatefully entwined, as long as the European, modern, capitalist world system exists. It is obvious that this conceptualization grew in connection with the anti-colonial development theories that are also used for today’s criticisms of globalization.

Critics note that this approach overlooks the dynamics within the region itself. The dichotomic division into core and periphery oversimplifies as egregiously as the ideological West–East dichotomy does.

Clearly, a sort of development occurred even under the conditions of manorial lordship, as the Silesian-Bohemian-Lusitanian region with its blooming textile industry proves.⁹ Here a proto-industry appeared in symbiosis with the merchants from the imperial cities like Nuremberg and Augsburg. Thus the assumption that the symbiosis between core and periphery had only disadvantages for the periphery must be challenged. Even the Dutch cereal trade via Gdansk had positive as well as negative consequences; and the silver rush of the sixteenth century in fact stimulated and sustained the blossoming of the Jagiellon renaissance culture in the Polish-Lithuanian state of that century.¹⁰

For the research of economic history, the symbiotic relationship of East Central Europe to the rest of the continent remains a great issue requiring still more research. Why, for example, did the Scandinavian North, in contrast to East Central Europe, succeed in joining the center of the world economy during the last two centuries? Ivan Berend, whose works have demonstrated the extraordinary usefulness of the concept of “periphery,” regards the relationship between the core and the periphery as neither single-track nor fateful.¹¹ He highlights the decisive differences between the East Central European aristocratic societies and the Scandinavian farming societies, particularly their unequally sized potential for development. Development, from this viewpoint, is not simply a question of overcoming backwardness, as various modernization theories have assumed. The famous words of Karl Marx in the preface to the German edition of *Capital* are not then universally valid: “The country that is more developed industrially” does not necessarily represent “to the less developed, the image of its own future.”¹² Time and growth are not the answer when social and economic structures and cultures are essentially different.

Development does not follow a simple, universal, linear, progressive model, as the experience of East Central Europe shows only too clearly. The distance in economic strength and prosperity between this region and the West has actually grown with every major historical transformation. This was true in early modern Europe, as in the nineteenth-century era of industrialization. It has also proven true with the collapse of the Soviet system and the failure of its model of state-directed, “socialist” industrialization. It is still proving true, in the present stage of globalization, wherein the triad of America–West Europe–East Asia leaves East Central Europe out in the cold. It is clear

that integration into the European Union does not automatically bring integration into the center of the world economy. East Central Europe has once again become a periphery of the West. Ivan Berend thus chose the subtitle *Detour from the Periphery to the Periphery* for the final volume of his East Central European trilogy.¹³

2. East Central Europe as a Border Region

The history of East Central Europe has also been constructed according to a blueprint that highlights, not its otherness with respect to West Europe, but its similarities. This alternative assumes a Europeanization of the East Central region, in which “the European” is determined or defined by reference to West European norms. It is a type of frontier model, in which East Central Europe becomes the border region of the Occident. It was emphatically formulated by the Polish historian-in-exile Oskar Halecki, in the mid-twentieth century, in an effort to remind the West of its responsibilities towards the countries behind the Iron Curtain.¹⁴ For Halecki, institutional transfer is the key to structural relations between East and West within Europe. Christianization by the Roman Church immersed the nations west of the Kievan Rus and north of the Byzantine World in the Latin culture and allowed them to become the “heartland of Europe.” In later centuries, Poland and Hungary defended the eastern outposts of Europe, not only against the Ottomans, but also against the Russians, thus protecting Europe from Asian barbarianism, and, above all, from the Bolshevik Revolution.

This obviously transnational, Cold-War-influenced concept of the “occidental” lived on in the discourse of Central European dissidents during the 1980s. Jenő Szűcs, for example, argued that the “civil society” separated from the state is an “occidental” essential, found in the aristocratic societies of *Europa occidentalis* and providing a readily identifiable demarcation of that Europe from the rest of the continent.¹⁵ The border concept continued its vibrant life into the 1990s, as the limits of European enlargement along the dividing line between Roman and Orthodox Christianity were debated. The *Europa occidentalis* idea was supported by the millennium celebrations in remembrance of the meeting between the Roman Emperor Otto III and Bolesław Chrobry, in Gniezno, in the year 1000.

In seeking to emphasize similarities and integration, a truly transnational historiography cannot treat exchange as always unidirectional. Herein lies the flaw in the Halecki model. Influences and impulses have moved, not simply from West to East, but also in the opposite direction. The Pan-Slavism so significant in Russia until the October Revolution was born in Prague and from there travelled not only eastward to Russia but also southward to the Balkan peninsula. The intelligentsia and other East Central European elites were educated not only in Paris, Vienna, and Berlin, but also in St. Petersburg. Łódź, the so-called Polish Manchester, would have been unthinkable without the Russian market. The artistic avant-garde of the twentieth-century interwar period prospered under the influence of Russian futurism. And finally inclusion in the Soviet bloc for two generations created an East Central European common destiny built of shared experiences; of repression to be sure, but also of civilization, and of the failed utopia of a classless society.

An "occidental frontier" concept may, however, be useful for the writing of the economic history of East Central Europe, if it also observes and analyzes the changes in and overlapping of various frontiers. Among the many significant changes are the following: The frontier for the application of German municipal law actually extended at one time as far as Kiev. Rural cultivation according to German law expanded further to the East than the actual German settlements of the High Middle Ages, driven by Slavs and Magyars. The West European nuclear family pattern reached to a line bounded by St. Petersburg in the north and Trieste in the south, beyond which, as in the rest of the world, various forms of extended families prevailed. The region of the manorial lordship began beyond the Elbe and reached as far as the Central European zone of cereal cultivation, but it was not identical to the area of modern serfdom, which also included Russia and the Balkans. In economic history the entire eastern region is regarded not as a border area but rather more as the geographical center of the continent's transnational integration of ethnicities, cultures, and institutions. To investigate East Central Europe as an area of integration between Atlantic West and the Russian East could be the task of a transnational and interdisciplinary research project.

3. A Postmodern View: East Central Europe in the Mirror

A third blueprint for the observation of history in Central and Eastern Europe and the last I wish to mention, is cultural-anthropological in nature. Given the nearly complete turn towards cultural questions in recent historiography, it is presently the most influential. In this vein the Boston historian Larry Wolff has written a fundamental book on the construction of an Eastern Europe in the discourse of the West European Enlightenment.¹⁶ By means of travel journals he shows the development of a cognitive map that allocates all attributes of barbarianism and uncivilization to the East. Thanks to the Enlightenment in the West, it has been thought, these attributes have either been overcome, or are in the process of so becoming. The image of Eastern Europe thus developed is a negative reflection of the Western self-image. In Wolff's book, the European Enlightenment has thus landed in the dock. This view is shared particularly by Polish historians. One consequence is that Georg Forster, enlightened world traveller, philanthropist, and revolutionary, is now classified as the father of the negative stereotype of the "Polish economy," on account of his descriptions of the situation in Poland in letters and journals written during his tenure as a professor in Vilnius.¹⁷ Doubtless, the predominance of institutional transfer from west to east, and the subjection of eastern economies by the western "core" culminated in the self-confidence that led the philosophers and writers of the Enlightenment to view eastern backwardness as a reflection-in-the-mirror of the ideal of progress. They believed that modernization by enlightenment could also come to the people in the European East. They conceived their fight against aristocracy, clericalism, and serfdom as part of a universal engagement on behalf of human rights, and, therefore, most of them accepted the first partition of Poland by the "enlightened" monarchs of Prussia, Russia, and Austria. Not so Jean Jacques Rousseau, who defended the constitution of the Polish aristocratic republic as original and natural.¹⁸

The postmodern culturalist paradigm is more in the tradition of Rousseau than of the Enlightenment. Stressing the "otherness" and the equal merits of every culture, the postcolonial current of cultural sciences blames Western society for the confiscation of the history and culture of the Eastern peoples. Edward Said's principle critique of

Islamic studies as “orientalism” is fundamental to this approach.¹⁹ The book by Larry Wolff stands firmly within the frame of this paradigm. Moreover, Wolff’s concept of mental maps is rooted in a postmodern interpretative approach that understands the image as the actual maker of history and that further maintains that changes to these images are the only historical process actually available to us. Historical images are not to be rebutted, only deconstructed. These claims are the subject of intense epistemological and philosophical debate.

However, the economic historian must insist, if he does not want to surrender to these epistemological claims, that the reconstruction of real historical processes is possible. He may not become involved with the replacement of the history of society by the history of memory. Alongside cognitive or mental maps, he also wants to observe the real situation. For him it is not enough to admit the otherness; he also must use the comparison as the silver bullet in a research that will identify actual essential differences and their conditions. Some of these differences and conditions should be drawn in the closing paragraph.

Conclusion: East Central Europe as the “Other” Europe

Although East Central Europe is part of mainland Europe, its position as a crossroads between the Atlantic West and the Russian East, the Scandinavian North and the Mediterranean South has shaped its special face. In this sense, certain structural facts of the situation in East Central Europe do indeed set the region apart.

Even before the expansion of the West European system into this part of the world, town networks were far-flung and industry was weak. In the wide plains of landlocked inner Europe, people missed out on the economic impulses associated with trade overseas. Sparse population was a further essential conditioning fact for these economies. While stock markets developed on the Mediterranean and Atlantic coasts, in Eastern Europe trade fairs bloomed, visited by Jewish and Greek traders who transported goods over long distances to fairs and town markets. Geography fostered extensive rather than intensive agriculture, and the harvest yield was only four times the seed planted. For these geographic and economic reasons peasants had to be forced to settle, or to remain, on the land. In 1977, Péter Gunst published an

essay emphasizing these unique East Central European roots of bondage and aristocracy. His argument was directed against the concept of "re-feudalization," which was supposed to have occurred in the homogeneous region from East-Elbia to the Russian steppes.²⁰ He recognized the influence of the European West, but found developments in East Central Europe more consistent with patterns in bordering eastern and Islamic societies. He reasoned that it was not East Central Europe but Northwestern Europe that went down a separate path requiring explanation. The pattern of development and history of Northwest Europe is, then, the great universal exception, the real *Sonderweg*.

East Central Europe was in fact a region *sui generis* between West Europe and the easternmost regions of the continent. Here an aristocracy could assert itself unchallenged against weak kingdoms lacking feudal systems and revenues. In the process of defending against the Tatar and Ottoman invasions, this aristocracy cultivated military virtues and its own "golden freedom" throughout the region. This aristocratic culture was rooted, not in the towns, but in the countryside.²¹ The urban culture remained the more foreign where the economically productive citizens of towns were of other ethnicities, mostly, Jewish, German, or Greek. Although an aristocratic liberalism arose before 1848, especially in Hungary, Romanticism was more compatible than Enlightenment to this aristocratic culture, as Ivan Berend has demonstrated in his history of the long nineteenth century in East Central Europe.²² The formation of the East Central European peoples into modern nations began as a corporate aristocratic movement against the great imperial powers, which had divided the region among themselves. The later the foundation of the nation state, the more the people were involved in the internal, economic struggle and the less the ethnically foreign citizens would be assimilated.²³ Therefore, the Magyarization of the Jewish and German bourgeoisie in Hungary before 1918 succeeded more than Polonization or Romanization of urban population from other ethnic groups in Poland and Romania. A deficit in bourgeois mentality and an excess of aristocratic culture was the consequence. Still, in the first half of the twentieth century, the bureaucratic and military elites of East Central Europe were distinguished by aristocratic values and often origin. Czechoslovakia and the Baltic states were an exception, because there were no Czech, Latvian, or Estonian aristocracies, and their relatively strong national bourgeoisies

rose from rural origins. This was also impressively proven by Berend in the second volume of his trilogy.²⁴ During the interwar period, the Jewish population played an important role for the economy and culture and for the formation of civil society in the new national states. Therefore, the loss of the Jewish intellectual and economic elites in the genocide by the German occupation during the Second World War weighed particularly heavily on the nations of East Central Europe.

Thus East Central Europe is a different Europe, not simply a weaker, less developed, marginalized Europe. It is, as such, no less European than the West. This plea for East Central Europe as an “other Europe,” with strong ties to both the western and eastern regions of the continent is obviously more affected by the first blueprint than by the others. A properly crafted European history, however, should take leave from the Western standardization and attempt to understand the other regions as also *sui-generis* European. The people of all European regions are longing for welfare and happiness, but they have to look for alternative ways to reach their goals. Historians can give support by research into the roots and reasons of different ways in history, as Ivan Berend has done in his lifework.

NOTES

¹ Jacques Le Goff, “Foreword” to the series “The Making of Europe,” which has been jointly published by C. H. Beck (Munich), Blackwell (Oxford), Crítica (Barcelona), Laterza (Rome-Bari), and Le Seuil (Paris). Also see the series “Europäische Geschichte,” which was published by Fischer Taschenbuch Verlag, Frankfurt am Main, in 1996.

² The fact that the Iron Curtain so closely followed the borders of the ninth-century Carolingian Empire is one of the rather notable accidents of European history.

³ Jan Assmann, *Das kulturelle Gedächtnis. Schrift, Erinnerung und politische Identität in frühen Hochkulturen* (Munich: C. H. Beck, 1999), 75–86.

⁴ Eric Lionel Jones, *The European Miracle: Environments, Economies, and Geopolitics in the History of Europe and Asia* (Cambridge: Cambridge University Press, 1981); David S. Landes, *The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor* (London: Little, Brown and Company, 1998).

⁵ Immanuel Wallerstein, “World System versus World-Systems—A Critique,” in *The World-System—Five Hundred Years or Five Thousand*, ed. Andre Gunder Frank and Barry K. Gills (London and New York: Routledge 1996), 215 and 292–96.

- ⁶ Josep Fontana, *The Distorted Past: A Reinterpretation of Europe* (Oxford: Blackwell, 1995), here citing page 207 in the German edition, *Europa im Spiegel—Eine kritische Revision der europäischen Geschichte* (Munich: Beck, 1995).
- ⁷ Immanuel Wallerstein, *Modern World-System*: vol. 1, *Capitalist Agriculture and the Origins of the European World Economy in the Sixteenth Century* (New York and London: Academic Press, 1974); vol. 2, *Mercantilism and the Consolidation of the European World-Economy, 1600–1750* (New York and London: Academic Press, 1980); vol. 3, *The Second Era of Great Expansion of the Capitalist World-Economy, 1730–1840* (New York and London: Academic Press, 1989).
- ⁸ Marian Małowist, *Croissance et régression en Europe: XIV.–XVII. siècles* (Paris: Colin, 1972).
- ⁹ Antoni Mączak and Henryk Samsonowicz, “Feudalism and Capitalism: A Balance of Changes in East Central Europe,” in *East Central Europe in Transition: From the Fourteenth to the Seventeenth Century*, ed. Antoni Mączak, Henryk Samsonowicz, and Peter Burke (Cambridge: Cambridge University Press, 1985), 6–23.
- ¹⁰ Helga Schultz, *Kaufleute, Handwerker, Bankiers. Wirtschaftsgeschichte Europas 1500–1800* (Frankfurt am Main: Fischer, 2002), 44–64.
- ¹¹ Ivan T. Berend and Ránki, György, *Underdevelopment in Europe in the Context of East-West Relations in the Nineteenth Century* (Budapest: Akadémiai Kiadó, 1980); Ivan T. Berend, *Studies on Central and Eastern Europe in the Twentieth Century: Regional Crises and the Case of Hungary* (Aldershot: Ashgate Variorum, 2002).
- ¹² Karl Marx, “Capital: A Critical Analysis of Capitalist Production,” in Marx and Engels, *Collected Works* (New York: International Publishers, 1996), 35:9.
- ¹³ Ivan T. Berend, *Central and Eastern Europe, 1944–1993: Detour from the Periphery to the Periphery* (Cambridge: Cambridge University Press, 1996).
- ¹⁴ Oskar Halecki, *Border Lands of Western Civilization: A History of East Central Europe* (New York: Ronald Press, 1952).
- ¹⁵ Jenő Szűcs, *Die drei historischen Regionen Europas* (Frankfurt am Main: Verlag für Neue Kritik, 1990).
- ¹⁶ Larry Wolff, *Inventing Eastern Europe: The Map of Civilization on the Mind of the Enlightenment* (Stanford: Stanford University Press, 1994).
- ¹⁷ Hubert Orłowski, “Polnische Wirtschaft.” *Zum deutschen Polendiskurs der Neuzeit* (Wiesbaden: Harrasowitz 1996), 47–80. On Forster and Poland, see Karol Sauerland, “Zur Forsterrezeption in Polen nach dem Zweiten Weltkrieg,” in *Georg-Forster-Studien XI* (2006): 611–24; Helga Schultz, “Georg Forster und Polen—Irritationen und Vorurteile,” in *Auf dem Weg in die Moderne. Radikales Denken, Aufklärung und Konservatismus*, ed. Brigitta Bader-Zaar, Margarete Grandner, and Edith Saurer (Innsbruck: Studien-Verlag, 2007), 47–63.
- ¹⁸ Jean Jacques Rousseau, *Considérations sur le gouvernement de Pologne et sur sa réformation projetée* (Londres [Paris], 1782).

- ¹⁹ Edward W. Said, *Orientalism* (New York: Vintage Books, 1979).
- ²⁰ Péter Gunst, *Agrarian Development and Social Change in Eastern Europe, 14th–19th Centuries* (Aldershot, England: Ashgate, 1996), pt. III, 5–51.
- ²¹ Maria Bogucka, *The Lost World of the “Sarmatians”: Custom as the Regulator of Polish Social Life in Early Modern Times* (Warsaw: Polish Academy of Sciences, Institute of History, 1996).
- ²² Ivan T. Berend, *History Derailed: Central and Eastern Europe in the Long Nineteenth Century* (Berkeley and Los Angeles: University of California Press, 2003).
- ²³ Helga Schultz and Kubû, Eduard, eds., *History and Culture of Economic Nationalism in East Central Europe* (Berlin: Berliner Wissenschaftsverlag, 2006); in this volume see especially the introduction by Helga Schultz, “The Double Edged Sword of Economic Nationalism,” 9–25.
- ²⁴ Ivan T. Berend, *Decades of Crisis: Central and Eastern Europe before World War II* (Berkeley and Los Angeles: University of California Press, 1998).

CHAPTER EIGHT

Liberal Economic Nationalism in Eastern Europe during the First Wave of Globalization (1860–1914)¹

THOMAS DAVID AND ELISABETH SPILMAN

A triumphant economic nationalism is mostly associated with the interwar period and with Central and Eastern Europe and Latin America, but it also appeared and reappeared much earlier and much later in several other countries and regions. Economic nationalism has characterized long periods of modern history throughout the world. Although it is mostly discussed as a specific economic policy, it is a more complex phenomenon that [is] rooted in the struggle against expansive and dominant countries and their ideologies. [...] The earth from which economic nationalism sprouted was also the home to unsolved national questions and as such hysterical commitments to the national cause. It may have been an attempt to homogenise the national economy and banish foreign strongholds from the national economy and/or eliminate the economic power of minority groups in a country.²

For many years, Ivan Berend has shown a great interest in the study of *economic nationalism* in Eastern Europe.³ In these studies, he has emphasized three characteristics of economic nationalist policies, as summarized in the above quotation. First, economic nationalism is closely related to the complex core–periphery relationship and constitutes an attempt by the Eastern European periphery to escape its relative economic decline and its growing dependency on the Western core. Second, in order to understand these policies, it is necessary to take into account their ideological, national dimension. Third, restricting the study of economic nationalism in Central and Eastern Europe to the interwar period is to distort its significant presence in earlier and later periods. In a recent book, Berend used the concept of *proto-economic*

nationalism, borrowed from a study done by ourselves, to describe an earlier manifestation of these policies in Central and Eastern Europe during the nineteenth century.⁴

In this article, we would like to deepen Berend's very stimulating reflections on economic nationalism in this region in the nineteenth century by proposing an analytical framework that may improve our understanding of the continuities and discontinuities of these policies over the long term. The continuities justify the application of the general category of economic nationalism to developments throughout the nineteenth century, but such a liberal usage of the term invites serious objection on account of the important differences that it hides. Hence, to be semantically correct, we will reserve the rubric *economic nationalism* for the twentieth-century interwar period, applying *proto-economic nationalism* to the first half of the nineteenth century and *liberal economic nationalism* to the second half.⁵ In this way, we hope to circumvent debate over nomenclature. In the present paper, we will focus on liberal economic nationalism.

In addition to highlighting changes over time, our analytical framework makes it possible to describe similarities and differences in the policies of economic nationalism across space. We have chosen to focus on the experiences of three countries—Poland, Hungary, and Romania. Not only are they some of the largest countries in the region, but they are also similar enough to accord a basis for comparison and they may be thought of as representing the region as a whole. They all lagged behind Western Europe throughout the period under consideration, though to different extents. Until late, they were predominantly agrarian countries, though they all had built up some industrial sectors by the outbreak of the First World War, again to varying degrees. In his book *History Derailed*, Berend characterized these nations during the long nineteenth century as dual societies: "Although the traditional nobility lost its privileges, it preserved economic power through ownership of 40 to 50 percent of the land. Nobles continued monopolizing political power. The emerging bourgeoisie remained small and much less influential than its Western counterpart. It could not, and did not even try to, share political power with the traditional elite of the region. Similarly, a modern middle class hardly emerged; the traditional gentry middle class preserved its social status. There was thus a special 'symbiosis' between the old and new social

strata, which coexisted in a unique 'dual society.'"⁶ At the same time, these three nations present distinct enough socio-economic, political, cultural, and historical traditions to reflect a full spectrum of choices available in this region: They varied in size and population. One was predominantly Orthodox, another Catholic, and the third mixed Catholic and Protestant. They had achieved miscellaneous levels of both social and political development. By the outbreak of the First World War, for example, Hungary and Poland could be described as agrarian-industrial nations; Romania, on the other hand, was still an agricultural country. Finally, and perhaps most important, they had very distinctive political statuses: Romania was an independent nation from 1878, Hungary enjoyed relative political and administrative autonomy after 1867, and the Polish nation was divided during the last quarter of the nineteenth century among three empires: the Austro-Hungarian, German and Russian.

Though many definitions of economic nationalism certainly exist, the one adopted in this article can be summed up as "the body of economic policies aimed at bringing backward countries on a par with developed nations." In order to achieve this goal, the state makes the national economy, as opposed to individual enterprises or firms, the basic unit of reference in international economic relations. This development strategy, however, occurs within a specific context with three delineating attributes: 1) a rejection of *laissez-faire*; 2) a program of industrialization; and 3) the central role of the state.

The above definition has two implications for our discussion. First, we will not deal with "agrarian nationalism," despite the facts that a high regard for peasant culture has traditionally been a source of national identity in Central and Eastern Europe and that agricultural policy and institutions such as cooperatives have sometimes been included in the studies of economic nationalism.⁷ Second, we will focus on the policies put in place by the state or an "autonomous regional administration" in each of our sample nations. We will consider the nationalist economic policies of minorities only in passing. In the case of Poland, for example, we will focus on Galicia, which came to enjoy some degree of autonomy after 1867, more than the Polish regions of the German and Russian Empires.

This essay has three parts. In the first, we present a conceptual framework that helps us to study the general phenomenon of economic

nationalism in the long term. In the second, we describe the policies of liberal economic nationalism during the second half of the nineteenth century in Hungary, Romania, and Galicia. In the third, using our conceptual framework, we try to explain the similarities and the differences between these three nations.

I. Economic nationalism: a conceptual framework

Economic Nationalism as a Specific Answer from the Periphery

Economic history has dwelt extensively on the emergence and development of the Industrial Revolution between 1760 and 1860, first in England, then in certain areas of Europe and North America. While this was happening, the European continent's eastern realm was exhibiting socio-economic characteristics somewhat antithetical to the expansion of market production and the emergence of wage-earning, both, at that time, absolutely essential for a genuine industrial take-off.⁸ In this respect, it is fair to speak of a precocious genesis in Eastern Europe of a periphery or semi-periphery, which shared certain social characteristics with non-European peripheries, particularly Latin America and the Middle East.

While the European periphery began to diverge from the core as early as the sixteenth century, its unique destiny was not sealed until the nineteenth century, with the incomplete diffusion of the Industrial Revolution eastwards. The significant structural economic lag of the twentieth century would merely reinforce the prejudicial structural relationship. Table 1 demonstrates unequivocally the peripheral position of Eastern Europe from the second half of the nineteenth century to the present. Throughout this period, the gross domestic product-per-capita of this region never exceeded 40 percent of the United Kingdom's level and represented between one-half and one-fourth the level of Western Europe. Table 1 also emphasizes the differences within Eastern Europe, Czechoslovakia and Hungary being the most developed nations in the region.

As early as the end of the eighteenth century, the nations of Eastern Europe were attempting to combat their relative economic decline and their growing dependence on the more industrialized countries of the Northwest. These efforts largely took the shape of political

Table 1: Gross Domestic Product Per Capita in Europe, 1870–2000
(United Kingdom =100)

	1870	1910	1938	1950	1989	2000
United Kingdom	100.00	100.00	100.00	100.00	100.00	100.00
Czechoslovakia	36.49	43.18	45.99	50.45	53.42	43.55
Hungary	34.23	43.37	42.37	35.74	42.06	36.02
Poland	29.66	36.65	34.82	35.26	34.63	36.41
Romania	29.18	36.00	19.82	17.03	24.01	15.15
Yugoslavia	18.78	22.92	21.64	22.35	38.08	21.49
Bulgaria	26.33	31.58	25.45	23.79	37.87	27.07
Western Europe	65.45	73.30	76.89	72.32	102.50	99.94
Central and Eastern Europe	29.54	35.69	31.84	30.65	36.60	29.76

Source: Angus Maddison, *The World Economy: Historical Statistics* (Paris: Development Centre Studies of the Organisation for Economic Co-Operation and Development [OECD], 2003).

Note: Western Europe includes the following countries: Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Sweden, Switzerland, and the United Kingdom.

Central and Eastern Europe: Czechoslovakia, Hungary, Poland, Romania, Yugoslavia, and Bulgaria.

aspirations in the form of claims for greater sovereignty or national independence, notably on the economic level. Accordingly, we can already speak of economic nationalism. In this respect, economic nationalism constitutes a practically inevitable step in the development of the nations of the periphery. Writing about interwar Eastern Europe, Jan Kofman thus argued: “[...] there are grounds for viewing the so-called economic nationalism (and even autarky as one of its manifestations) in a backward state as a development stage which in the contemporary world is to some extent unavoidable and which leads to the modernization of the economy [...]”.⁹

The economic nationalism of the periphery thereby appears as very distinct from the policies in wealthier core nations. In the latter, policy often emphasized military and economic expansion, whereas in the former, it tended to have a defensive nature, often engendered by

the imperative to protect the country from world economic fluctuations and by a related desire to hoist a country from the depths of dependency by developing domestic production.

Economic Nationalism from the Longer Term Perspective

Some recent studies have proffered re-evaluations of the specifically nationalist aspect of economic nationalism: They claim that “economic nationalism is not so much about the economy as it is about the nation—the economic dimensions of specific nationalisms only make sense in the context of a particular national discourse, rather than in the context of general debates on economic theory and policy.”¹⁰ This new perspective has one major implication. Economic nationalism takes various political shapes depending on the period in question: it evolves in function as a representation of the nation. Rarely have historians attempted to differentiate these policies on a temporal basis, though it is in fact possible to distinguish four variants or phases in Eastern Europe in the nineteenth and twentieth centuries.

1) *Proto-economic nationalism (1780–1860)*: This, the first period of economic nationalism, gave birth to the Dual Revolution; that is the Industrial Revolution and the French Revolution. The economic example set by Western Europe and the competition presented by their advanced economies made the elites of the periphery and semi-periphery conscious of the importance of industrialization for the development of their countries. At the same time, the spread of the ideals of the French Revolution engendered national movements that extolled the virtues of greater autonomy, even independence from foreign rulers. Nevertheless, by 1860 in Eastern Europe, nationalism in its modern form had still not appeared. Eric J. Hobsbawm calls the pre-modern group consciousness of this period “proto-nationalism”: “In many parts of the world, states and national movements could mobilize certain variants of feelings of collective belonging, which already existed and which could operate, as it were, potentially on the macro-political scale which could fit in with modern states and nations. I shall call these bonds ‘proto-national.’”¹¹

The creation of a common language and the fabrication of historical myths transformed the collective consciousness of belonging to a lasting political entity and were important criteria of

proto-nationalism.¹² From this perspective, proto-economic nationalism signifies economic policies that were developed during this period by the state, in part as a means to maintain, or to achieve, some degree of political and military independence in the international arena.¹³

2) *Liberal economic nationalism (1860–1914)*: An increasing globalization of the world economy characterized the second period. The countries of the European periphery participated in the internationalization of the world economy through their exports of agricultural products and primary materials. Their integration in the world economy did not, however, proceed uninterrupted. At the end of the 1870s, they were faced with the threat posed by competition from overseas grain exporters. The great depression of this period impressed upon them a consciousness of the dangers of world economic integration and underscored the desirability of diversified production. New and even novel industrial policies were devised. States not only fell back on traditional protective measures but also introduced industrial laws and even created public enterprises to promote industrialization.

3) *Economic nationalism (1918–1939)*: The dissolution of the three large European empires after the First World War opened the door for rampant nationalism in political as well as economic spheres. The interwar years were marked by extreme instability as new states grappled with problems caused by unresolved socio-economic relations, by a persisting agricultural depression that hurt agrarian nations, and by financial and economic crises. Under these conditions, economic nationalism assumed a more definite shape, especially in the 1930s. Measures such as exchange control and extreme protectionism were adopted, in the hope that they would isolate these vulnerable economies from international turbulence and promote the development of domestic industries. During the second part of the thirties, states began forging formal development plans.¹⁴

Interventions by the state in political and economic realms reflected not only international pressures and conjectures but also the need to adjust domestic economies to the new borders defined by the peace treaties after World War I. This interventionism happened also to serve the desires of the ruling classes to preserve, or, in a few cases, to reform, the existing social order, which was being menaced by social explosions set off by the working class movement and the parties of the

extreme right. The growing importance of the central state apparatus paralleled the economic, political, and social decline of the traditional elites, and particularly of large landowners.¹⁵ In this context, economic nationalism, especially in its corporatist dimension, constituted a response to specific socio-political threats and, as such, represented an important break with the preceding era.

4) *Socialist economic nationalism (1945–1989)*: From the end of the Second World War to the fall of the Berlin Wall, the principles of economic nationalism flourished in the countries of the Warsaw Pact. The Communist regimes of the region put forward ambitious programs of industrialization in order to limit their economic dependence on the capitalist world.¹⁶ In many ways, the economic nationalism of the thirties served as an overture to the economic planning of the postwar period. In Poland, for example, the economic nationalism of the interwar period “was not merely a promise. The ‘economic philosophy’ of this nationalism, monstrously exaggerated, emerged as one of the building blocks of the communist planned economy. I mean here first and foremost the tendency to subordinate private interests to the emerging ‘state technostucture’ which was progressively developing towards a particular statist synthesis.”¹⁷ The continuity, however, was anything but smooth; rather it was marked by numerous ruptures. The international environment was now defined by a new variable, the Cold War. The dominant social actors changed insofar as the new bureaucracy and the Communist Party together emerged as the principal advocates, as well as beneficiaries, of the economic order. Before the First World War and during the interwar period, these countries had extended the sphere of state intervention whenever private capital had been unable to take the initiative, or they had supported domestic industries by means of high tariffs or laws of encouragement or subvention; in the postwar period, these methods became more radical.¹⁸ Practically all means of production became state-owned, and foreign trade became a state monopoly.

Determinants of Liberal Economic Nationalism

In light of the above discussion, we can see that policies of economic nationalism appeared more than once in the European periphery, most often in times of political and economic crises. These policies,

however, did not recur in the same form or manner; rather their content, form, and expression changed over time. For evaluating the evolution of economic nationalism throughout the past two centuries, Peter Gourevitch's model for elucidating economic policy choices is particularly useful.¹⁹ Gourevitch proposes four explanations to interpret policy decisions: the production profile, the state structure, the economic ideology, and the international system. It is the interaction between these different forces that shapes the overall character of economic nationalism at any point in time in any given country.

The production profile explanation takes into account the preferences of societal actors in the sectors of agriculture, business, and labor for specific policies. These preferences will be determined by the positions of these actors in both the international and domestic economies. An agrarian country with its production based on small-scale peasant farming might react differently to international and domestic economic developments than one with production based on large estates. Whether a particular sector produces for foreign markets or solely for domestic consumption cannot but affect its stand on various policy issues. The question of tariffs is one that tends to be shaped largely by whether an economy is export-oriented. The principal limitations of this approach lie in its inability to explain the ambiguities of interests within given sectors, the linkages between societies and the state structure, and the effects of non-economic international considerations.

The state structure explanation emphasizes not only the roles of the central administration and other state institutions but also the rules of mediating interests and of defining both interests and intermediate associations. Differences in state structure, in the type of regime, in the degree of centralization, and in the extent of bureaucratization can also help to explain policy choices. It is through state institutions that societal actors and their representative associations express their objectives, but that does not prevent these institutions from also acting autonomously. In the latter cases, the bureaucracy becomes a separate societal actor in and of itself.²⁰ Thus, despite its explanatory power, Gourevitch's model here ignores important factors: specifically, any given institutional framework can be very realistically used to different ends. In effect the process by which institutions and rules lead to certain outcomes cannot be explained independently of the society that they intend to shape.

The ideological explanation focuses on the role of perceptions, models, and values in shaping an understanding of the economic situation and the political environment. Such an understanding, in turn, influences preferences and behavior. The spread of nationalism in the European periphery during the second half of the nineteenth century played a very important role in the emergence of liberal economic nationalism. Moreover, throughout the nineteenth century in Eastern Europe, various economic ideologies influenced policies, especially those ideologies that propounded protectionist arguments to narrow the gap created by the unequal international division of labor. The work of the German theoretician Friedrich List was particularly important. List argued that the growth of an economy was an organic process and that every fledgling national economy had a temporary need for protection. In particular, he thought that until a new industrial economy was sufficiently well established to compete on the world market, it ought to be protected by the state.²¹ In other words, the protective tariff sought to increase the chances for survival of young industries.

Finally, the international-system explanation stresses the impact of war, of military and security issues, and of other elements in the state system on economic policy and domestic environment. These factors are particularly noteworthy in assessing economic nationalism in Eastern Europe because during the period under consideration, some countries were backward and dominated. Therefore, it was not the national group in question but a large supranational entity that made the important political decisions. This situation is extremely important in evaluating a country's response to the international milieu.

*The Three Functions of Liberal Economic Nationalism*²²

In 1904, a Hungarian politician spoke from the framework of economic nationalism as he addressed the need to industrialize the country: "Wir brauchen unbedingt eine selbständige ungarische Industrie [...] nicht nur deshalb, weil wir ohne diese wirtschaftlich hinter den anderen Kulturnationen zurückbleiben, sondern auch, weil wir ohne diese grossen Probleme der Magyarisierung der Nationalitäten und des sozialen und wirtschaftlichen Aufstiegs der ungarischen Bauern nicht werden lösen können."²³ These functions can be defined along two axes: one plotting the integrative/dissociative function, the other, the

legitimization function. In the first case, the continuum is articulated by its internal/external dimension.²⁴ This typology is very useful in understanding the policies followed in Central and Eastern Europe in the last third of the nineteenth century.

1) *External Integration/Dissociation*: The supporters of a liberal economic nationalism argued that it was necessary to dissociate the national economy, in particular some of its sectors, from the international economy until they were competitive enough to be safely reintegrated.²⁵ Studies of Eastern European economic nationalism have often stressed this dissociative dimension, which habitually took the shape of customs protection vis-à-vis the outside world.

In practice, for the period 1870–1914, the countries of Eastern Europe followed policies of liberal economic nationalism that combined relatively liberal trade policies—due to their export orientation—with “selective protectionism.” The strategy towards international markets was therefore dualistic or “associative-dissociative”: associative, because of the dependence on international markets for exports and imports, and dissociative, because these countries also introduced different measures—import-substitution policies, state intervention, subtle forms of protectionism, and public subsidies for selected industrial branches are prominent examples—to reduce the pressures of world markets on specific economic sectors.²⁶ Eastern European countries consequently followed relatively liberal policies in agriculture and more protectionist approaches in industry.

This dichotomy was further nuanced by the fact that within any given sector, these two dimensions (integration and external dissociation) could coexist. The Romanian oil industry is a good example. After 1900, we can observe a changing attitude towards foreign capital in the industry: associative when private-owned land was concerned, dissociative in the case of state-owned land. “While there were no serious attempts to stop foreign investments on private-owned land, the Liberals were obsessed with avoiding concessions of state-owned land.”²⁷

2) *Internal Integration/Dissociation*: Liberal economic nationalism can be related to the mechanism of nationalization, which operates to ensure political and cultural re-legitimization in changing economic and political systems.²⁸ In Eastern Europe, following political independence or the integration of new territories, leaders introduced measures of social and economic nationalization. One consequence was

that states began acting as representatives of their dominant ethno-cultural group, promoting and protecting their interests above all others.

Ethnically defined nationalization policies required new states to develop policies towards their indigenous minority groups. These policies might be oriented at either excluding minorities from the national economic sphere or integrating them, often against their will. Policies towards Jews provide an example. In Romania, policies sought to deny them participation in the national economy whereas in Hungary, they purported to integrate them. Minorities meanwhile began adapting economic nationalism to their own ends, using its rhetoric and policies to further their own state-seeking political aims. Their principal strategies included organizing themselves and working to increase their autonomy with respect to the dominant ethnic population. These manifestations in turn often provoked or reinforced a state's policies of support for the dominant group. There can thus be a significant degree of interaction between the economic nationalisms of a state and its minorities.²⁹

Again, as for the external dimension, the dichotomy of integration/dissociation can be somewhat ambivalent. For example, the economic institutions created by Slovaks in Hungary were aimed at reinforcing Slovak identity and dissociating it from Hungarian influence. At the same time, these institutions were very often supported by Czech capital and thereby favored the formation of and integration of the Slovaks into a "Czechoslovak" entity.³⁰

3) *Internal Legitimation*: Liberal economic nationalism also concerned lower, or disenfranchised, social strata such as workers and peasants; the system was manipulated by the elites to mobilize these groups and diminish possible demand for extensive political rights or social equality.³¹ The boycott campaign in Hungary in 1905–06 provides a good example of the legitimizing power of this rhetoric. Up until this time, the Liberal Party dominated political life and upheld the country's constitutional autonomy and the *etatisme* of the political class, all the while pointing to the benefits of the union with Austria. The two principal opposition parties, the Party of '48 (1848) and the Independence Party, both of which emerged after the turn of the century, endorsed an important rhetoric on economic nationalism and gained increasing power as economic conditions deteriorated.³² The more radical of the two, "the Forty-Eighters," denounced laissez-faire

principles as an instrument of Austrian hegemony, demanding instead an autonomous, Hungarian customs area, a separate national bank, and the abolition of almost all common, Austro-Hungarian institutions. Both parties supported industrialization as the only way to attain economic growth, which in turn could only come about with economic independence.

In 1905, the two parties won the elections, but the emperor rejected the results and appointed Géza Fejérváry, the captain of his bodyguard unit, as prime minister of Hungary. In reacting, and partly in order to gain mass support, the offended parties launched a national campaign aimed at supporting Hungarian industry and boycotting Austrian products. Numerous industrial associations were created during this period. In March 1906, the wives of the opposition leaders decided to stop buying products from Austria. Their boycott was called the "Tulip Movement," "after the tulip-like trademark of Hungarian manufactures. Women from the Hungarian nobility and students gathered in 1906 in order to spread propaganda on the independence of Hungarian industry."³³ Despite its influence and popular reach, this campaign was not the principal reason behind the imperial decision finally to honor the election results and allow the united opposition to form a government. More important was a compromise between the Crown and the opposition, an agreement by which the latter gave up its major demand for an independent Hungarian army and a separate tariff system.³⁴

II. Liberal Economic Nationalism, 1860–1914

The international system of the second half of the nineteenth century, which was itself undergoing changes associated with a globalizing process, cannot be ignored, if we are to understand the long-term evolution of economic nationalism.³⁵ Commercial exchanges, capital movements, and population migrations assumed unprecedented proportions. The countries of Central and Eastern Europe took part in this globalization process as the export of their agricultural products and primary materials expanded considerably: except for Austria-Hungary, the growth of exports from this region between 1870 and 1910 was superior to the European average.³⁶ Beginning in 1870, the Western

countries started to export capital to this region, especially for the construction of railroads, which in turn accelerated the integration of Eastern Europe into the international economy.³⁷ Largely in consequence, towards the end of the century, some of these countries, Poland in particular, experienced a consequential emigration abroad.³⁸

Integration into the international economy engendered important trade specializations in these peripheral countries. On the eve of the First World War, both Hungary and Romania possessed a marked comparative advantage in the trade for agro-food products (Romania for fuel goods, as well, due to its oil export), but none of the peripheral countries had any sort of comparative advantage in the export of manufactured goods.

Cereals represented a considerable part—between two-thirds and three-quarters—of Romania’s exports between 1886 and 1911.³⁹

Table 2: Revealed Comparative Advantage for Four Commodity Groups in 1913

	Hungary	Romania	Agricultural Europe	Industrial Europe	Europe
Agricultural goods	3,91	4,89	2,83	0,69	1,00
Raw materials	0,92	0,37	1,60	0,90	1,00
Fuels	0,23	1,11	0,20	1,14	1,00
Manufactures	0,28	0,01	0,45	1,09	1,00

Source: Thomas David, *Nationalisme économique et développement: L’industrialisation des pays d’Europe de l’Est durant l’entre-deux-guerres*, forthcoming.

Note: The revealed comparative advantage is measured as follows: For each country studied sectors are ranked in terms of their share of total European exports of that commodity; sectors which have a market share greater than the country’s overall European market share are said to exhibit a “revealed comparative advantage” (N. F. R. Crafts, “Revealed Comparative Advantage in Manufacturing, 1899–1950,” *Journal of European Economic History*, 18:127–138). Agricultural Europe includes Italy, Portugal, Greece, Spain, Hungary, Finland, Romania, and Bulgaria. For Hungary, the trade statistics include the exports to Austria. Industrial Europe includes the United Kingdom, Switzerland, Germany, Denmark, Sweden, Norway, France, and Austria.

In Hungary's case, "dependence" was a consequence not only of the composition of exports but also of the fact that the nation had only one major commercial partner, Austria. Between 1884 and 1913, the Austrian market absorbed more than seven-tenths of Hungary's exports.⁴⁰

This situation did not pose a problem as long as the world market was in a state of full expansion. But, in the second half of the nineteenth century, growth was not continuous: in fact, it slowed down during the period 1873–96. For one thing, overseas and Russian cereals overran European markets at the end of the 1870s, provoking a serious decline in agricultural prices. The Romanian case is very revealing in this respect: in 1870–74 the price of one ton of wheat hovered around 305 lei, but in the second half of the decade, it stood at barely 127 lei. A crisis followed, triggering in turn a resurgence of protectionism in many European countries.⁴¹ Confronted by this agrarian crisis and by the rise of protectionism, authorities in Eastern Europe introduced industrial and/or protectionist policies, which they hoped would develop domestic industries and thus diversify their economies. The first laws of industrial promotion were introduced in Hungary in 1881 and six years later in Romania.⁴²

A dual movement thereby characterized the period 1860–1910: the opening towards international markets and the spread of economic liberalism (integration) on the one hand, and the selective intervention of the state on the domestic market (dissociation) on the other. This is the reason why the term "liberal economic nationalism" is particularly suited to this period. But scholars have not yet reached a consensus on the precise content of the term, or on the chronology of its history. Eric Helleiner, for one, describes the situation in the following terms: "Many advocates of economic liberal policies during the 19th century were in fact nationalists who believed that these policies would strengthen national identities, the prosperity of the nation and/or the power of their nation-state."⁴³ He goes on, however, to distinguish liberal economic nationalism from economic nationalism and autarkic economic nationalism, the former tied to List and the latter to Fichte. In contrast, we assign the term "liberal economic nationalism" to the *specifically* Eastern European economic policies of the last third of the nineteenth century, which were based on the ideas of Friedrich List. We differ also from Joseph Love who chose the term

“statist liberalism” to identify the economic policies of the Romanian state beginning in the 1880s: “With the customs tariff of May 1886, Romania ended its brief experience with ‘classic liberalism,’ raising tariff wall against manufactures of Austria-Hungary, its main supplier of industrial goods at the time. This was the beginning of a period of a ‘statist liberalism’ in which liberalism was increasingly adapted to, and associated with, nationalist aspirations [...]”⁴⁴ We prefer the term “liberal economic nationalism” because it better reflects both the continuity with, but also the break from both the proto-economic nationalism of the first half of the nineteenth century and the economic nationalism of the interwar years.

The Case Studies

The combined effects of globalization and new transport methods increased the integration of Eastern European countries into the international economy, while also furthering inter-regional economic integration within the Russian, Prussian, and Austrian Empires.⁴⁵ The appearance of new competitors and the uneven regional development (real or imagined) associated with this integration nurtured the growth of liberal economic nationalism as a mobilization ideology, useful to nationalizing states as well as to minorities living within the region’s empires.⁴⁶ As we have seen above, it is possible to make a distinction between liberal economic nationalist policies introduced on the one hand, by a nationalizing state acting as the representative and protector of the interests of a specific ethno-cultural group and on the other, by minorities seeking greater economic autonomy or even political independence. Interactions between these two kinds of policy were common. Our case studies of Poland, Hungary, and Romania will make these points more evident.

Poland

Polish aspirations for independent statehood had been dashed with the failure of the uprising of 1863–64 in Russian Poland and by Prussia’s victory over France in the war of 1870–71. Consequently the members of the Polish “nation” continued to live, as they had done since the eighteenth-century partitions, as minorities inside the Russian, Prussian, and Austrian Empires. The Polish case allows us to see the

adaptation of liberal economic nationalism to the goals and ideals of minority populations. Having little influence on monetary or foreign trade policies, on economic legislation, or on the administration of the countries in which they lived, minorities defended their "national interests" during this period through various social organizations and irregular forms of political action.⁴⁷ This effect of liberal economic nationalism is important because it widened the concept of national community to include daily life.⁴⁸ In this respect, national boycott and national self-help organizations "functioned in multinational economic systems like protective custom barriers of independent states. They protected from external concurrence in order to facilitate the development of the productive forces within their own national group."⁴⁹ The Polish experience underscores these general points.

In the Russian part of Poland, the former Kingdom of Poland lost the last vestiges of its autonomy after the uprising, as the remaining Polish central institutions were dissolved. Meanwhile Polish industrialists in Russia and Prussia were confronted with Russification and Germanization policies, which provoked nationalist reactions. In this atmosphere, most Poles largely forsook the goal of immediate independence; instead, turning to fortifying the "nation" through education and economic development (so-called organic work).⁵⁰ In Prussian Poland, Polish banks were established: an example is the Polish People's Bank (*Banki ludowe*) set up in 1861. Product names were chosen to appeal to national sentiments. In Posen (Poznań) province, boycott campaigns, complete with slogans such as *Swój do swego po swoje*, launched the idea that Poles should buy Polish goods.⁵¹ In the Russian part, Unity's food cooperative "promoted a highly nationalistic vision of manufacturing" by selling "only foods grown by Polish peasants and manufactured goods made by firms employing all-Polish workforce."⁵²

It was in Austrian Poland (Galicia) that the Poles retained the greatest political and cultural independence. This region came to enjoy a degree of political autonomy beginning in 1867, which allowed the local authorities to implement an industrial policy. For example, they founded a bank with special funds for the industrial promotion of the region in 1883.⁵³ Around the turn of the century, entrepreneurs also formed various organizations propagating the protection of local industry by means of patriotic slogans.⁵⁴

Hungary

In the case of Hungary, we have a fully formed monarchy still formally tied to another state, in this case, Habsburg Austria. This “international” relationship prohibited certain solutions to economic challenges. Denied the use of tariffs to shield its infant industries from Austrian competition, the Hungarians compensated by enacting a series of measures to promote industrialization at home.⁵⁵ These measures came in various forms, such as tax holidays and exemptions, preferential railroad rates, preference for domestic products in state purchases, the duty-free import of grain, and export subsidies. The first official step in support of industry was taken in 1876 when the Finance Committee of Parliament agreed to cover the government’s paper requirements from domestic sources. After 1880, a series of laws to encourage industrialization and minimize industrial imports was enacted. The first law, which came into force on 1 January 1882, guaranteed favors to both new and existing plants, in modern industrial sectors, which produced goods not already manufactured in Hungary. However, the most ambitious state policy was the enactment of the law of 1907. In contrast to previous legal measures, this law provided general favors to any enterprise that produced goods whose domestic demand was not being met by home industries. Unlike the prior enactments, this law provided for considerable state subvention to supplement existing tax and tariff allowances. Whereas heretofore, distilleries located on large estates had been the chief beneficiaries of state aid, now the textile and clothing industries, followed closely by the iron/machine and chemical industries, were favored.

Minorities in Hungary, such as Slovaks and Romanians, created banks or credit institutes in order to promote their specific economic interests. At the beginning, these institutions underwrote cultural and educational activities (for example, the foundation of churches and schools). Soon, however, they began focusing on more specifically economic endeavors such as the establishment of professional schools and the financing of industrial enterprises. The example of Albina, a Romanian bank in Hungarian-ruled Transylvania, is particularly interesting. Through restrictions on the transferability of shares and the issue of shares into friendly hands, this bank was able to preserve its ethnic Romanian character. It also favored Romanians, mostly urban middle

classes and political elites, through the granting of credit and the creation of numerous jobs.

From the 1890s, the multiplication of minority banks worried the Hungarian government. In order to limit their influence, the Hungarian state tried first to support similar Hungarian institutions and second to restrict the activities of the minorities' banks. Both attempts ended in failure, in part due to a lack of real political engagement on the part of the Magyar authorities.⁵⁶

Romania

Independent statehood freed Romania from direct control by another government, but the options available to the state as it developed its form of liberal economic nationalism still were limited. One such limitation was the ten-year trade agreement with Austria-Hungary, signed in 1875, that allowed for the duty-free import of all goods not produced at home, in essence the bulk of industrial products, in exchange for the free export of Romanian agricultural goods into the Dual Monarchy. Romanian industrialization policies had to take this arrangement into account.⁵⁷ The economic difficulties encountered at the end of the 1870s and strong competition from Russia in the 1880s led the Liberal Party, representing the middling boyars, the Romanian bourgeoisie, and the state officials, to develop a state-led industrialization policy.⁵⁸

The first step towards implementing this national economic policy came in 1880, when the Liberals set up the National Bank of Romania in order to provide businessmen with greater accessibility to credit. The legislation stipulated that Romanian capital, one-third of which would come from the state, was to be used to fund the bank. At the same time, the Liberals succeeded in controlling the bank's activities, by purchasing the bulk of the shares allocated to private stockholders. The National Bank would subsequently play an important role in the development of native industries, by mobilizing inactive capital and channeling it into industrial enterprises.⁵⁹

When the ten-year commercial agreement with Austria-Hungary expired in 1886, Romania introduced a new tariff by which import duties would be applied to some six hundred articles, amounting to roughly 10–15 percent of their value. The principal aim of the tariff was to protect industries already in existence (food-processing and light-consumer-goods industries).⁶⁰ In retaliation, the

Austro-Hungarian Monarchy launched a tariff war that lasted until 1891. The tariff law of 1886 underwent upward revisions, first in 1904, then in 1906, partly as a result of growing agricultural protectionism abroad and partly due to the bad harvests of 1899 and 1904 that underscored the need to diversify the economy.⁶¹

Bowing to the pressure of businessmen and bankers who deemed the tariff laws insufficient, the state also employed other means to promote industrial development. In 1887, it enacted an industrial law that offered concessions for land acquisition, exempted imported machinery and raw materials from all taxes and tariff duties, and reduced transport rates on railways. These measures applied only to large industry. In 1912 this law was extended to include artisan works employing at least four workers, as well as artisan cooperatives with at least twenty members.⁶² The state also assumed full control of the railroads in 1888, and private railway construction came to a halt in that year.

III. Assessments

It is in Romania that liberal economic nationalism became most marked in the later nineteenth century, in particular after 1886. In Hungary, industrial promotion came somewhat earlier, but it was unable to assume the same proportions as in Romania, while in Galicia, it was rather limited. The impact and form of liberal economic nationalism varied partly with geopolitical factors: thus unlike Hungary and Galicia, Romania enjoyed independent statehood; in the Habsburg Empire, Hungary had, after 1867, a greater political autonomy than Galicia. The importance of liberal economic nationalism in these nations also varied with the position of the great landowners within the socio-economic structures. In Hungary and Galicia, magnates maintained control over the industrialization process, and the state bureaucracy ultimately had to defer to the prescriptions of the former. In Romania, in contrast, the Liberals controlling the administrative apparatus took the lead in modernizing the country, and the great boyars had to accommodate the aspirations of the bureaucracy. Finally, the form and function of liberal economic nationalism varied with the broader intellectual climate of each nation: in Romania, much more than in either Hungary or Galicia, intellectuals

and economists crafted original theories of development, taking their inspiration from List's writings.

The Role of Societal Actors

Landowners retained a dominant position in the societies under consideration, but new subtleties emerged. The major concern of magnates was to maintain their privileged status in society.

In Galicia, the monopoly position of the magnates, who dominated the state administration as well as other autonomous institutions such as the Szym, placed constraints on the execution of policies favoring industrialization. The magnates were only willing to support the development of industries in so far as these industries would not threaten their economic interests. Consequently they elected to construct entities such as mills, distilleries, and sawmills, all of which tended to offer seasonal work. In addition, they invested in mining, the production of agricultural machinery and tools, and railways. They were otherwise opposed to an industrial development program based on agrarian reform because they feared that such development might cause their laborers to desert the land.⁶³

Meanwhile, in Hungary, large landowners also turned to capitalist ventures in agriculture. They were, if not opposed to industrialization, at least bent on delaying its full-fledged emergence for as long as possible. They did not want to disturb the balance with Austria, which was so favorable to the marketing of their agricultural products. Hungarian agricultural producers and Austrian industrialists joined in a "marriage of textiles and wheat."⁶⁴ This marriage maintained the Austrian market for Hungarian food exports and the Hungarian market for Austrian manufactures. That is not to say that the liberal circles of the landowning class did not recognize the fact that the development of industry would be beneficial to the further growth of agriculture, both as a market and a supplier, but it is to say that significant differences of opinion about desirable methods and the timing of such developments existed within these agrarian circles.

Whereas the gentry had stood at the forefront of the economic reform movement in the first part of the nineteenth century, it would be the upper nobility that would have a greater impact on economic policy-making in subsequent decades.⁶⁵ The rapid decline of

medium-sized estates that had begun in the aftermath of the 1848 Revolution continued in the latter part of the century. While the number of landowners with estates ranging from 200 to 1,000 holds had been around 30,000 prior to 1848, by 1867, it had diminished to 15,000, and by the turn of the century, to only 10,000.⁶⁶ Thus, the gentry had lost much of its political and economic power as a class, though it retained considerable influence as part of an expanding state bureaucracy. As we shall see below, however, this bureaucracy would only be able to operate within very strict boundaries. The aristocracy continued to determine the basic socio-economic structure of the country, which was based on an alliance with Austria and agrarian forms of production. Even the beginnings of the industrialization process in the late 1800s can largely be attributed to this class, as the first industrial laws benefited, first and foremost, agricultural distilleries located on large estates. In addition, industrialization began not in the traditional textile sector, but in flour-milling and food-processing, sectors intimately connected to agricultural production.

In Romania, the class of large-estate owners also remained a powerful economic force in the countryside. By the turn of the century, the size of the holding of the greatest boyar families was comparable to that of the largest Hungarian aristocrats; some two thousand large landowners held roughly 38 percent of the arable land. Romanian boyars, however, did not take a direct part in managing their estates but rather lived as simple *rentiers*, leasing their estates in return for fixed sums, which allowed them to maintain a Western lifestyle in Bucharest or in foreign cities. As a result, because the great boyars did not “enter into the world market as profit-seeking farmers but as tribute-exacting rentiers,” they had little incentive to take the lead in modernizing the country to maintain power and privilege.⁶⁷ These developments help to explain the more restricted political power of Romanian boyars in comparison with their counterparts in Hungary. The contrast between Romanian and Hungarian development is evident from the manner in which the respective leadership obtained electoral support for itself.⁶⁸ Hungarian aristocrats, such as Tisza, ventured into capitalist agriculture and used the large number of landless Hungarian peasants to work their lands, and were thereby able to mobilize these peasants to offset their weakness in the expanding urban areas. Romanian landlords, on the other hand, had difficulty mobilizing their small sharecroppers.

The Role of the State

Beginning in the 1860s, socio-economic, cultural, and political pressures acting together translated in our three case studies to encourage the growth of state bureaucracies and a considerable expansion of the state role in the economy. In regions that attained relative autonomy (Romania in 1861, following the administrative unification of Wallachia and Moldavia, or Hungary in 1867, at the time of the Dual Compromise), or independence (Romania in 1878), regional bureaucracies were created to assume roles and duties formerly assigned to officials in Vienna or Istanbul. Once established, these bureaucracies grew along with the responsibilities of the state. In Hungary, for example, there occurred a sharp increase in the number of bureaucrats (from roughly 16,000 in 1867, to 61,000 in 1890, to 120,000 in 1910, just in the central administrative apparatus) in the decades following the Compromise.⁶⁹ Government expenditure in Hungary on the eve of the First World War was two or three times higher than in the industrialized nations of Europe: it represented 28.5 percent of national income, as opposed to 13.7 percent in the United Kingdom and 10.8 percent in France.⁷⁰

The preponderance of the state can partly be explained by the lack of a bourgeoisie capable of slowing down the expansion of the central governing apparatus, as occurred in the nations of the West. The more a Central or Eastern European country lagged behind economically, the more the state acted as a substitute for private entrepreneurs or for the banking sector in stimulating the process of industrial development.⁷¹ However, to this explanation must be added the fact that in both Hungary and Romania, in these times of significant socio-economic and political change, the process of bureaucratization “was further propelled by class interest, above all by the desire of the educated classes to find dignified salaried employment, and thereby to avoid the rough-and-tumble of economic life.”⁷² In Hungary, since the Compromise of 1867, a modern, independent system of national administration provided soft landings for many members of the educated, economically weak gentry class by providing positions for them within the bureaucratic apparatus.

The Hungarian bureaucratic superstructure came to stand in stark opposition to the backward economic structure and led the political

machine to develop a keen interest in and a strong commitment to economic growth. As a political elite living from public revenue, Hungarian liberals had a vested interest not only in economic stability but also in the continuing development of the country's economy. As a result, between 1868 and 1894, more funds from the state budget were disbursed to industry and commerce than to any other sector.⁷³ In addition, the various laws to promote industrialization, except the 1906 enactment, were passed when the Liberal Party, which had largely been recruited from the bureaucracy, held power.⁷⁴

The situation was similar in Romania, where the middle boyars, unable to consolidate their resources and suffering financially, elected to enter the administrative bureaucracy, hoping in this way to preserve some political influence and economic clout. The result was the creation of a heavily centralized bureaucracy, marking a shift of power from the local landowning classes to a new group of local administrators and their superiors in Bucharest.⁷⁵ Regardless of the fact that the bureaucracy was never omnipotent, winning an election required its aid and cooperation.

Even though the bureaucracy assumed a leading role in the governing alliance in both Hungary and Romania, it was only in Romania that the bureaucratic state administration gained the upper hand in economic decision-making. Here, Romania's independence from the Ottoman Empire proved a decisive factor, freeing the state from political and economic strictures formerly dictated by Istanbul. Hungary and Galicia, in contrast, had to make economic choices within frameworks imposed by their specific structural relations with Vienna. Here also, the fact that the Romanian boyars did not enter into the new state administration plays a determining role; the boyars and their interests took second place to the interests and goals of the entrepreneurial state and its bureaucrats. In contrast, the Hungarian and Galician landowning classes, as the dominant producing and exporting forces in the country, retained ultimate control over the economy, not to mention the political scene, especially in the countryside. In addition, the nature of the alliance with Austria conditioned Hungarian and Galician development towards agricultural production, and this alliance in turn maintained the supremacy of the aristocracy.

Certain peculiarities of the Romanian case strengthened the bureaucracy in that nation. First of all, the growth of the administrative

system accompanied and favored the development of a specifically Romanian bourgeoisie.⁷⁶ The new urban classes, composed of ethnic Romanian merchants, industrialists, civil servants, and professionals, replaced, partly, the previously heterogeneous and vastly foreign, commercial and money-lending classes. The creation of the National Bank, for example, nurtured the growth of a Romanian upper bourgeoisie, by laying the foundation for the entire banking system which Liberal financial interests used to attain economic prominence. A very close relationship thus emerged between the upper bureaucracy and the new industrial circles, as prominent individuals at the highest levels of the bureaucracy and in the political machine also acted as intermediaries, by working as attorneys or board members for the major banks.⁷⁷ Second, not only did Romania have its own national bank, but it also had an independent army and a considerable military budget. Between 1878 and 1913, 13 to 19 percent of the state budget was consecrated to the armed forces, and this led to the development of an armaments industry.⁷⁸ Finally, the role of the monarchy was important. The king alternated conservative and liberal governments to preserve his dominance over the politics of the country.⁷⁹ The old boyars could never sustain the same kind of confident dominance over the political and economic system as their Hungarian or Galician counterparts. In Romania, the state bureaucracy and the Liberals benefited from the king's balancing act and thus acquired opportunities to rule and implement their policies.

We should not, however, over-emphasize the differences between the Romanian Liberals and the state on the one hand and the large landowners on the other. The focus of the disputes between politicians and academics throughout the century was on how, not whether, to industrialize.⁸⁰ Large landowners pursued industrial activity and made substantial investments in sectors such as sugar and tobacco from the 1870s on.⁸¹ Neither the Liberals nor the Conservatives were interested in upsetting the balance of social relations in the countryside, however asymmetrical.⁸² In fact, the cost of modernization was borne by the peasantry through taxes and the suppression of their demands for higher wages.⁸³

We have seen that the emerging industrial bourgeoisie consisted of new industrial circles with strong ties to the state bureaucracy. Control over the state apparatus allowed Romanian Liberals to channel the

fruits of the modernization effort into the hands of ethnic Romanians.⁸⁴ Hence, state assistance helped to create a banking system and hundreds of industries, which came to be owned mostly by ethnic Romanians. These trends had adverse consequences for Jewish industrialists and were in some sense connected to growing anti-Semitism.

Ideological Trends

The attainment of either independence or greater autonomy in the second half of the nineteenth century favored the general dissemination of the ideas of nationalism among the masses. Whereas nationalism had been largely restricted to the elites in the preceding period, institutions such as the army, schools, and churches accelerated the diffusion of national sentiments down to the general populace.⁸⁵ After the failure of the revolutions of 1848, we observe the slow transformation of European nationalism into a discourse of exclusion. In the words of Berend: "A switch from early universalism, deep solidarity, and the 'brotherhood' of nations characterized the conservative, isolationist turn of European nationalism. The idea of the liberation of an oppressed nation helping liberate others was replaced by exclusive nationalism. Solidarity was replaced by rivalry and malice. [...] This transformation was also connected with the 'nationalization' of nationalism—that is, the manipulation and use of national feelings by governments as a weapon of *Machtpolitik* in mobilizing the nation against rival nations and scapegoated minorities."⁸⁶

In Eastern Europe, this process took a particular twist on account of their backwardness and political dependence, and of the relative importance of ethnic and religious minorities in their economic and social structures. In the last quarter of the nineteenth century, governments inaugurated policies of nationalization in the social and/or economic arena. The state was transformed into a representative of its primary ethnic-cultural group, whose interests it thereafter protected and promoted.

Anti-Semitic measures, such as boycotts, pogroms, and other discriminative tactics, were the most visible manifestations of the xenophobic dimension of nationalism.⁸⁷ In this regard, it is appropriate to distinguish between liberal economic nationalism in Romania and Hungary: policies concerning Jews in Romania aimed at excluding

them from the national economy, in Hungary, at integrating them. Jews in Romania were considered economic rivals and Liberals thus attempted to restrict Jewish activities in industry and commerce. Complicated legal requirements for citizenship prevented very few Jews from attaining it. A strong anti-Semitism emerged during this period in this country.⁸⁸ In Hungary, in particular after the turn of the century, anti-Semitism began to gain ground as the bureaucratic regime began to weaken and as the further pauperization of the landed middle classes, accompanied by the steady politicization of the masses, radicalized Hungarian politics and with it the economic policy of the governing circles.

However, in contrast to Romania, where the government made no effort at working out a compromise with the Jewish middle class, Hungary developed a kind of *modus vivendi* between prominent, wealthy Jewish capitalists on the one hand and the landowners and state bureaucracy on the other: "While presiding over a rapidly developing and increasingly urbanized society, a substantial segment of the political and administrative elite continued to uphold its traditional, agrarian value systems, leaving the development of business, industry, and finance to foreigners—primarily Jews."⁸⁹ Large landowners profited not only from Jewish capital, but also welcomed Jews as skillful tenants and farm managers. The bureaucratic state embraced Jews as representative of the modern economy, and the Hungarian elite consequently passed a series of measures to protect the rights of the Jewish minority. In the 1880s, for example, Jews gained representation in the House of Lords and rights equal to their counterparts in various Christian denominations.⁹⁰ This compromise between the country's elite and Jewish capitalists was further supported by the fact that the Magyar elite considered Jews propitious allies in the struggle against other ethnic minorities.⁹¹

With reference to minority politics, in particular with respect to Jews, we can thus make a distinction between an assimilationist Hungary and an ethnic Romania. During the years 1860–1914, "Hungary had Magyarized by opening the doors to those willing to become Hungarian, but forcing those who were reluctant. Romania 'Romanized' by excluding non-Romanians [...]"⁹² Karen Barkey explains this difference by the degree of integration within the given supranational empire at the time of state- and nation-building: "[...] the more central, the

more imperial the position of the emerging entity and the stronger the institutional apparatus of the incipient state, the greater the probability of political-state-determined definitions of nationhood that stress assimilation into the nation and the polity [...]. The more peripheral a country at the time of exit and the weaker its political institutions, the greater the likelihood of an ethnic definition of the nation, reinforcing the past genealogical strength that abetted the struggle out of empire.”⁹³ The first scenario applied to Hungary, the second to Romania.

In the realm of economic ideology, changes also occur during this period. A new political class of alienated intellectuals willing to appeal to the masses emerged and presented itself as an alternative to the aristocracy and the bureaucratic apparatus. Ideological trends ushered in a debate on the proper developmental path for Eastern Europe, focused especially on possible reasons for the persistence of the gap between Western and Eastern Europe. In Romania, this debate was evident from 1860 to the outbreak of the First World War. In reaction to the free-trade ideological current, which dictated the insertion of an agricultural Romania into the world economy and had dominated the intellectual life of the country until the 1860s, we gradually observe the induction of alternative economic scenarios stressing the need to industrialize within the protective cocoon of dissociation, albeit selective, from the international economy. The developmental theories of the socialist Constantin Dobrogeanu-Gherea constituted one reaction to the modernization process taking place in Romania in the second half of the nineteenth century.

A second sort of reaction was embodied in the opposition to free trade by followers of List's theories. In Romania, Alexandru D. Xenopol and Petre S. Aurelian, for example, became the defenders of industrialization under the auspices of the state, the only entity capable in their opinion of undertaking this task. It is not surprising that these authors were close to the Liberals who were benefiting from state policies. Aurelian, the founder of the group *Industria* in 1891, served as a Liberal prime minister in 1896–97.⁹⁴ Hitchins has pointed out that the theoretical debates definitely influenced economic policies: “The polemics moved from the realm of theory to practical application when political parties adopted the arguments of one side or the other as their own. Agrarian economic interests and traditional social values were reflected in the policies of Conservative governments, while the Liberal

Party, representing the rising commercial and industrial middle class, pressed forward with the building of a national economy inspired by the Western model.”⁹⁵ In Hungary and in Galicia, arguments on economic development based on the theories of List would also be formulated, in particular among nationalist oppositional groups.⁹⁶ Nevertheless these arguments would never have the impact or amplitude of their counterparts in Romania.

Conclusion

One cannot speak about economic nationalism in the past tense. The factors, which cause it, are still present and may have an influence on the future.⁹⁷

The dissolution of the Soviet Empire has opened a new era in the economic history of the Eastern European periphery. The end of the Communist regimes in these countries has been followed by the adoption of liberal economic policies aimed at reducing the role of the state and reintegrating these economies into the world economy. In view of the continued economic difficulties encountered by these countries in restructuring their economies in the last decade, the question arises as to whether they will maintain current policies or opt for more protectionist and statist approaches. We can very well imagine that the enlargement of the European Union will be a determining factor. On the one hand, it would seem that, for Eastern European countries that have joined or will join the European Union, economic nationalism will not likely provide solutions to economic problems.⁹⁸ On the other hand, the recent rise of *patriotisme économique* in France seems to indicate that economic nationalism is still alive within the EU.⁹⁹ These points do not even consider the resurgence of such policies in Russia and the former Soviet republics.¹⁰⁰ Echoing Berend, Helleiner recently wrote: “[...] it is misleading to see this era of ‘globalization’ and economic liberalization as necessarily signaling the defeat of economic nationalism. The ideology as defined by List will retain a powerful place in today’s global political economy as long as national identities and nationalism more generally remain powerful.”¹⁰¹ Why should Eastern Europe be an exception?

NOTES

- ¹ Thomas David would like to thank the Swiss National Science Foundation for its financial support during his stay at UCLA.
- ² Ivan T. Berend, "Economic Nationalism: The Historical Roots," in *History and Culture of Economic Nationalism in East Central Europe*, ed. Helga Schultz and Eduard Kubû (Berlin: Berliner Wissenschaftsverlag, 2006), 29–38, here 29.
- ³ Ivan T. Berend and György Ránki, *Underdevelopment and Economic Growth: Studies in Hungarian Social and Economic History* (Budapest: Akadémiai Kiadó, 1979); Ivan T. Berend, "The Failure of Economic Nationalism: Central and Eastern Europe before World War II," *Revue Economique* 51, no.2 (2000): 315–322; and id., "Economic Nationalism: The Historical Roots."
- ⁴ See Thomas David and Elisabeth Spilman, *From Proto-Economic Nationalism to Economic Nationalism: The Development of Nationalistic Economic Policies in Eastern Europe, 1780–1940*, a 1999 manuscript incorporated in Ivan T. Berend, *History Derailed: Central and Eastern Europe in the Long Nineteenth Century* (Berkeley and Los Angeles: University of California Press, 2003), 140–41.
- ⁵ Thomas David and Elisabeth Spilman, "Proto-Economic Nationalism in the Early Nineteenth Century," in *History and Culture of Economic Nationalism in East Central Europe*, ed. Schultz and Kubû, 89–108.
- ⁶ Berend, *History Derailed*, 183.
- ⁷ On peasant culture as a source for national identity, see R. Jaworski, "Between Economic Interests and National-Cultural Self-Assertion: On Economic Nationalism in East-Central Europe Before 1914," in *History and Culture of Economic Nationalism in East Central Europe*, ed. Schultz and Kubû, 59–70, here 62; and Helga Schultz, "Introduction: The Double Edged Sword of Economic Nationalism," in *History and Culture of Economic Nationalism in East Central Europe*, ed. Schultz and Kubû, 9–26, here 13. On the agrarian dimension of economic nationalism, see A. M. Köll, "Agrarianism and Ethnicity—An East Central European Survey," in *History and Culture of Economic Nationalism in East Central Europe*, ed. Schultz and Kubû, 141–160; and Torsten Lorenz and Uwe Müller, "National Segregation and Mass Mobilization: Polish Cooperatives in Poznań Before the First World War," in *Cooperatives in Ethnic Conflicts: Eastern Europe in the Nineteenth and Early Twentieth Century*, ed. Torsten Lorenz (Berlin: Berliner Wissenschaftsverlag, 2006), 183–200.
- ⁸ J. Topolski, "Comparer c'est expliquer: un exemple de l'histoire économique européenne," in *Pour une histoire économique et sociale internationale. Mélanges offerts à Paul Bairoch*, ed. B. Etemad et al. (Geneva: Passé Présent, 1995), 63–74; and Berend, *History Derailed*, ch. 1.
- ⁹ J. Kofman, "Economic Nationalism in East-Central Europe in the Interwar Period," in *Economic Nationalism in East-Central Europe and South America, 1918–1939*, ed. H. Szlajfer (Geneva: Droz, 1990), 191–249. On the

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- ¹¹ Eric J. Hobsbawm, *Nations and Nationalism Since 1780: Programme, Myth, Reality* (Cambridge: Cambridge University Press, 1990), 46.
- ¹² M. Hroch, *Social Preconditions of National Revival in Europe: A Comparative Analysis of the Social Composition of Patriotic Groups Among the Smaller European Nations* (Cambridge: Cambridge University Press, 1985); and O. Zimmer, *A Contested Nation: History, Memory and Nationalism in Switzerland 1761–1891* (Cambridge: Cambridge University Press, 2003).
- ¹³ On proto-economic nationalism in Central and Eastern Europe, see David and Spilman, "Proto-Economic Nationalism in the Early Nineteenth Century."
- ¹⁴ J. Kofman, *Economic Nationalism and Development: Central and Eastern Europe Between the Two World Wars* (Boulder: Westview Press, 1997).
- ¹⁵ T. David, *Nationalisme économique et développement: L'industrialisation des pays d'Europe de l'Est durant l'entre-deux-guerres*, forthcoming.
- ¹⁶ M. Ferrero, "The Economics of Socialist Nationalism: Evidence and Theory," in *Nationalism and Rationality*, ed. A. Breton, G. Galeotti, P. Salmon, and R. Wintrobe (Cambridge: Cambridge University Press, 1995), 204–44; B. Murgescu, "Anything But Simple: The Case of the Romanian Oil Industry," in *History and Culture of Economic Nationalism in East Central Europe*, ed. Schultz and Kubů, 231–50; and Ž. Lazarević, "Economy and Nationalism in Yugoslavia," in *History and Culture of Economic Nationalism in East Central Europe*, ed. Schultz and Kubů, 265–78.

- ¹⁷ Szlajfer, "Promise, Failure and Prospects of Economic Nationalism in Poland," 47.
- ¹⁸ N. Spulber, *The State and Economic Development in Eastern Europe* (New York: Random House, 1966), 52.
- ¹⁹ P. Gourevitch, *Politics in Hard Times: Comparative Responses to International Economic Crises* (Ithaca: Cornell University Press, 1986); and P. A. Hall, "The Role of Interests, Institutions, and Ideas in the Comparative Political Economy of the Industrialized Nations," in *Comparative Politics: Rationality, Culture and Structure*, ed. M. I. Lichbach and A. S. Zuckermann (Cambridge: Cambridge University Press, 1997), 174–206.
- ²⁰ M. Mann, "The Autonomous Power of the State: Its Origins, Mechanisms and Results," in *States, War and Capitalism: Studies in Political Sociology*, ed. M. Mann (Oxford: Basil Blackwell, 1988), 1–32; and P. Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton: Princeton University Press, 1995).
- ²¹ F. List, *Das nationale System der politischen Ökonomie* (Stuttgart: Cotta, 1841). On List, see D. Senghaas, "Friedrich List and the Basic Problems of Modern Development," *Review* 14, no. 3 (1991): 451–67.
- ²² These three functions appear also during the other phases of economic nationalism in Eastern Europe. See David, *Nationalisme économique et développement*.
- ²³ "We need, absolutely, an independent Hungarian industry [...] not only, for the reason that without this [industry] we would lag behind the other cultured nations economically, but also because without this [industry] we would not be able to resolve the huge problems of the Magyarization of the nationalities and of the social and economic rise of Hungarian peasants": Quoted in Á. Pogány, "Wirtschaftsnationalismus in Ungarn im 19. und 20. Jahrhundert," in *Wirtschaft im Dienst der Nation. Polen, die Tschechoslowakei und Ungarn von der Nationalbewegung bis zum Zweiten Weltkrieg*, ed. H. Schultz (Berlin: Berliner Wissenschaftsverlag, 2007).
- ²⁴ R. Abdelal, *National Purpose in the World Economy: Post-Soviet States in Comparative Perspective* (Ithaca: Cornell University Press, 2001); Pickel, "Explaining, and Explaining With, Economic Nationalism"; and Schultz, "Wirtschaftsnationalismus in Ostmitteleuropa."
- ²⁵ Some, but very few, economists and politicians have maintained that a complete withdrawal from the world economy and self-sufficiency constituted the most appropriate means of development. On this see Helleiner, "Economic Nationalism as a Challenge to Neoliberalism?"
- ²⁶ This argument is based on the studies of U. Menzel, *Auswege aus der Abhängigkeit. Die entwicklungspolitische Aktualität Europas* (Frankfurt am Main: Suhrkamp, 1988); and D. Senghaas, *The European Experience: A Historical Critique of Development Theory* (Leamington Spa: Berg, 1985) on the economic development of small European countries during the nineteenth century.
- ²⁷ Murgescu, "Anything but Simple," 236.
- ²⁸ Pickel, "Explaining, and Explaining With, Economic Nationalism."

- ²⁹ C. Albrecht, "The Rhetoric of Economic Nationalism in the Boycott Campaigns of the Late Habsburg Monarchy," *Austrian History Yearbook* 23 (2001): 47–67; Jaworski, "Between Economic Interests and National-Cultural Self-Assertion," 59–70; and R. Brubaker, *Nationalism Reframed: Nationhood and the National Question in the New Europe* (Cambridge: Cambridge University Press, 1996).
- ³⁰ Pogány, "Wirtschaftsnationalismus."
- ³¹ Köll, "Agrarianism and Ethnicity." On this dimension, see also A. Breton, "The Economics of Nationalism," *Journal of Political Economy* 72, no. 4 (1964): 376–86; A. Breton and M. Breton, "Nationalism Revisited," in *Nationalism and Rationality*, ed. A. Breton, G. Galeotti, P. Salmon, and R. Wintrobe, 98–115; H. G. Johnson, "A Theoretical Model of Economic Nationalism in New and Developing States" and "The Ideology of Economic Policy in the New States," both in *Economic Nationalism in Old and New States*, ed. H. G. Johnson (London: G. Allen and Unwin, 1968), 1–16 and 124–41 respectively.
- ³² Z. Nagy, *Liberal Opposition in Hungary, 1919–1945* (Budapest: Akadémiai Kiadó, 1983); and Janos, *Politics of Backwardness in Hungary* (Princeton: Princeton University Press, 1982), 135–40.
- ³³ Jaworski, "Between Economic Interests and National-Cultural Self-Assertion," 67–68; see also Pogány, "Wirtschaftsnationalismus."
- ³⁴ Berend, *History Derailed*, 267.
- ³⁵ K. H. O'Rourke and J. G. Williamson, *Globalization and History: The Evolution of a Nineteenth-Century Atlantic Economy* (Cambridge: MIT Press, 1999).
- ³⁶ David, *Nationalisme économique et développement*.
- ³⁷ Ivan T. Berend and György Ránki, *The European Periphery and Industrialization, 1780–1914* (Cambridge: Cambridge University Press, 1982), 98–99.
- ³⁸ J. Kochanowicz, "Globalization and Eastern Europe, 1870–1914, 1970–2000," *Économie appliquée* LV, no. 2 (2002): 179–205.
- ³⁹ J. R. Lampe and M. R. Jackson, *Balkan Economic History, 1550–1950: From Imperial Borderlands to Developing Nations* (Bloomington, Indiana: Indiana University Press, 1982), 169; and N. N. Constantinescu et al., *L'histoire de l'économie roumaine: De l'origine jusqu'à la deuxième guerre mondiale* (Bucharest: Expert, 1996), 183.
- ⁴⁰ S. Eddie, "Economic Policy and Economic Development in Austria-Hungary, 1867–1913," in *The Cambridge Economic History of Europe* (Cambridge: Cambridge University Press, 1989), 8:814–86, here 8:838. In 1910, agricultural products represent over half of total exports by value, according to Table 3 in S. Eddie, "The Terms and Patterns of Hungarian Foreign Trade, 1882–1913," *Journal of Economic History* 37, no. 2 (1977): 329–58.
- ⁴¹ K. O'Rourke, "The European Grain Invasion, 1870–1913," *Journal of Economic History* 57, no. 4 (1997): 775–801.
- ⁴² Industrial promotion laws were also introduced in Bulgaria in 1894 and in Serbia in 1898.
- ⁴³ E. Helleiner, "Economic Nationalism as a Challenge to Neoliberalism," 319–20.

- ⁴⁴ Joseph L. Love, *Crafting the Third World: Theorizing Underdevelopment in Rumania and Brazil* (Stanford: Stanford University Press, 1996), 28.
- ⁴⁵ For Austria-Hungary, see D. Good, *Economic Rise of the Habsburg Empire, 1750–1914* (Berkeley: University of California Press, 1984); and M.-S. Schulze and N. Wolf, *Harbingers of Dissolution? Grain Prices, Borders and Nationalism in the Hapsburg Economy Before the First World War*, London School of Economics Working Paper 93 (2006).
- ⁴⁶ Pogány, “Wirtschaftsnationalismus.”
- ⁴⁷ For discussions of specific choices, see Jaworski, “Between Economic Interests and National-Cultural Self-Assertion”; Lorenz, “Introduction”; and Pogány, “Wirtschaftsnationalismus.”
- ⁴⁸ R. Jaworski, *Handel und Gewerbe im Nationalitätenkampf. Studien zur Wirtschaftsgesinnung der Polen in der Provinz Posen (1871–1914)* (Göttingen: Vandenhoeck & Ruprecht, 1986), 65.
- ⁴⁹ Quotation reprinted and translated from the original German in R. Szporluk, *Communism and Nationalism: Karl Marx versus Friedrich List* (New York: Oxford University Press, 1988), 160; the original source of the quotation is R. Jaworski, “Nationalismus und Ökonomie als Problem der Geschichte Ostmitteleuropas im 19. und zu Beginn des 20. Jahrhunderts,” *Geschichte und Gesellschaft* 8, no. 2 (1982): 184–204, here 200.
- ⁵⁰ J. Rojahn, “Poland,” in *The Formation of Labour Movements 1870–1914: An International Perspective*, ed. M. Van der Linden and J. Rojahn (Leiden: E.J. Brill, 1990), 2:487–521, here 2:491; Breuilly, J., *Nationalism and the State* (Chicago: University of Chicago Press, 1993), 120.
- ⁵¹ Jaworski, “Between Economic Interests and National-Cultural Self-Assertion.”
- ⁵² L. A. Crago, “The ‘Polishness’ of Production: Factory Politics and the Reinvention of Working-Class National and Political Identities in Russian Poland’s Textile Industry, 1880–1910,” *Slavic Review* 59, no. 1 (2000): 16–41, here 37.
- ⁵³ Z. Landau and J. Tomaszewski, *Wirtschaftsgeschichte Polens im 19. und 20. Jahrhundert* (Berlin: Akademie Verlag, 1986), chs. 3–4.
- ⁵⁴ For a description of the different economic measures taken by the authorities in Galicia, see F. Baltzarek, “Zentralistische und föderalistische Aspekte der Wirtschaftspolitik am Beispiel Galiziens,” in *Ausgebeutet oder alimentiert? Regionale Wirtschaftspolitik und nationale Minderheiten in Ostmitteleuropa (1867–1939)*, ed. U. Müller (Berlin: Berliner Wissenschaftsverlag, 2006), 59–90, here 27–28.
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- ⁵⁷ Ivan T. Berend and György Ránki, *Economic Development of East-Central Europe in the Nineteenth and Twentieth Centuries* (New York: Columbia University Press, 1974), 88.
- ⁵⁸ S. Welzk, *Nationalkapitalismus versus Weltmarktintegration? Rumanien 1830–194. Ein Beitrag zur Theorie eigenständiger Entwicklung* (Saarbrücken: Verlag

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- ⁵⁹ Hitchins, *Rumania, 1866–1947* (Oxford: Clarendon Press, 1994), 197–98.
- ⁶⁰ *Ibid.*, 190–91.
- ⁶¹ S. Welzk, *Nationalkapitalismus versus Weltmarktintegration? Rumanien 1830–1944*, 59.
- ⁶² D. Turnock, “The Industrial Development of Romania from the Unification of the Principalities to the Second World War,” in *Historical Geography of the Balkans*, ed. F. Carter (London: Academic Press, 1977), 342.
- ⁶³ Rojahn, “Poland,” 500.
- ⁶⁴ S. Eddie, “Terms and Patterns of Hungarian Foreign Trade, 1882–1913,” 351.
- ⁶⁵ David and Spilman, “Proto-Economic-Nationalism in the Early Nineteenth Century.”
- ⁶⁶ Berend and Ránki, *Underdevelopment and Economic Growth*, 83–84. A “hold” is an old unit of land: one hold is equal to 1.42 English acres, or 0.57 hectares.
- ⁶⁷ G. Stokes, “The Social Origins of East European Politics,” in *The Origins of Backwardness in Eastern Europe: Economics and Politics from the Middle Ages until the Early Twentieth Century*, ed. D. Chirot (Berkeley: University of California Press, 1989), 210–51, here 229.
- ⁶⁸ *Ibid.*, 230–31.
- ⁶⁹ Janos, *Politics of Backwardness in Hungary*, 94.
- ⁷⁰ J. M. Hobson, “The Military-Extraction Gap and the Wary Titan: The Fiscal-Sociology of British Defence Policy 1870–1913,” *Journal of European Economic History* 22, no. 3 (1993): 461–506; David, *Nationalisme économique et développement*. Unfortunately no comparable figures for Romania exist. The figures for Serbia and Bulgaria, however, show the importance of the state in the economic life of the countries in the region.
- ⁷¹ A. Gerschenkron, *Economic Backwardness in Historical Perspective* (Cambridge: Harvard University Press, 1962).
- ⁷² A. C. Janos, “The Politics of Backwardness in Continental Europe, 1780–1945,” *World Politics* 41 (1989): 325–58, here 338. For a different interpretation on the factors at the origin of the growth of the state in Central and Eastern Europe, see D. Mishkova, “Modernization and Political Elites in the Balkans Before the First World War,” *East European Politics and Societies* 9, no. 1 (1995): 63–89; and D. Good, “The State and Economic Development in Central and Eastern Europe,” in *Nation, State and the Economy in History*, ed. A. Teichova and H. Matis (Cambridge: Cambridge University Press, 2003), 133–58.
- ⁷³ Janos, *Politics of Backwardness in Hungary*, 134.
- ⁷⁴ Berend, *History Derailed*, 242 and ff.
- ⁷⁵ A. C. Janos, “Modernization and Decay in Historical Perspective: the Case of Romania,” in *Social Change in Romania, 1860–1940: A Debate on Development in a European Nation*, ed. K. Jowitt (Berkeley: University of California Press, 1978), 70–116, here 86.

- ⁷⁶ Hitchins, *Rumania*, 160.
- ⁷⁷ *Ibid.*, 93.
- ⁷⁸ Leonties, *Die Industrialisierung Rumäniens*, 63.
- ⁷⁹ Stokes, "Social Origins of East European Politics," 232.
- ⁸⁰ M. E. Fischer, "Politics, Nationalism, and Development in Romania," in *Diverse Paths to Modernity in Southeastern Europe: Essays in National Development*, ed. G. Augustinos (New York: Greenwood Press, 1991), 135–68, especially 143.
- ⁸¹ Hitchins, *Rumania*, 189; A. Roger, *Les fondements du nationalisme roumain, 1791–1921* (Geneva: Droz, 2003), 128 ff.
- ⁸² Stokes, "Social Origins of East European Politics," 230.
- ⁸³ Janos, "Modernization and Decay," 95.
- ⁸⁴ Stokes, "Social Origins of East European Politics," 231.
- ⁸⁵ Mishkova, "Modernization and Political Elites in the Balkans."
- ⁸⁶ Berend, *History Derailed*, 116.
- ⁸⁷ D. Chirot, "Who Influenced Whom? Xenophobic Nationalism in Germany and Romania," in *Germany and Southeastern Europe: Aspects of Relations in the Twentieth Century*, ed. R. Schönfeld (Munich: Sudosteuropa-Gesellschaft, 1997).
- ⁸⁸ D. Landes, "Gagnants et perdants," in *Uneven Development in Europe, 1918–1939: The Obstructed Growth of the Agricultural Countries*, ed. J. Batou and T. David (Geneva: Droz, 1998), 194–96.
- ⁸⁹ I. Deák, "The Peculiarities of Hungarian Fascism," in *The Holocaust in Hungary: Forty Years Later*, ed. B. L. Randolph and V. Béla (New York: Columbia University Press, 1985), 43–51, here 46.
- ⁹⁰ Nevertheless, even though Hungarian Jews became prominent players in the Hungarian economy, they remained for the most part marginal elements in the political life of the country by virtue of their religion.
- ⁹¹ Stokes, "Social Origins of East European Politics," 224–25.
- ⁹² K. Barkey, "Negotiated Paths to Nationhood: A Comparison of Hungary and Romania in the Early Twentieth Century," *East European Politics and Societies* 14, no. 3 (2000): 497–531, here 516.
- ⁹³ *Ibid.*, 500.
- ⁹⁴ Hitchins, *Rumania*, ch. 3; H. H. Stahl, "Théories des processus de «modernisation» des Principautés Danubiennes et de l'ancien Royaume de Roumanie (1850–1920)," *Review* 16, no. 1 (1993): 85–111; Love, *Crafting the Third World*; and id., "Dependency Theories in Rumania before 1945," in *Uneven Development in Europe, 1918–1939*, ed. Batou and David, 85–106.
- ⁹⁵ Hitchins, *Rumania*, 89.
- ⁹⁶ Janos, *Politics of Backwardness in Hungary*, 139; P. Franaszek, "Die wirtschaftspolitische Gesetzgebung der Wiener Regierung und die ökonomische Entwicklung Galiziens im langen 19. Jahrhundert," in *Ausgebeutet oder alimentiert*, ed. U Müller, 91–100.
- ⁹⁷ Berend, "Economic Nationalism: the Historical Roots," 37.
- ⁹⁸ For Romania, see Murgescu, "Anything But Simple," 231–50.

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- ⁹⁹ On *patriotisme économique* in France, see the special 2006 issue of *Economie politique*, the first article of which is a French translation of the 1933 article written by John Maynard Keynes entitled “National Self-Sufficiency.”
- ¹⁰⁰ R. Abdelal, “Purpose and Privation: Nation and Economy in Post-Habsburg Eastern Europe and Post-Soviet Eurasia,” *East European Politics and Societies* 16, no. 3 (2002): 898–933; Pickel, “Explaining, and Explaining With, Economic Nationalism”; M. Eichler, “Explaining Postcommunist Transformations: Economic Nationalism in Ukraine and Russia,” in *Economic Nationalism in a Globalizing World*, ed. E. Helleiner and A. Pickel (Ithaca: Cornell University Press, 2005): 69–90.
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CHAPTER NINE

The Rise and the Fall of the Second *Bildungsbürgertum*

IVÁN SZELÉNYI

The Three Historic Projects of Intellectuals in Central and East Europe

In this paper I distinguish three epochs in the social history of modern intellectuals on the Central and Eastern European periphery. The first epoch, associated with bourgeois-driven modernization in Western Europe, began in the mid eighteenth century and lasted until the end of the nineteenth century. In Germany and some regions further east, where the propertied bourgeoisie was relatively weak, the educated middle class the so called cultural bourgeoisie or *Bildungsbürgertum* stepped in to act as a substitute bourgeoisie. This class experimented with an alternative modernization strategy, which it hoped would not only bridge the economic gap between their nation and the West but actually create a stronger propertied bourgeoisie.¹ Men of ideas believed it was their historic mission to close the gap between the core and their own countries on the periphery. They pursued a capitalist modernization project without sufficiently well developed bourgeoisie in order to create a modern bourgeoisie. I call this the “first *Bildungsbürgertum* project” of Central and East European intelligentsia.

During the second epoch, from the late nineteenth century until the 1970s, some intellectuals were attracted to various right-wing or left-wing anti-bourgeois radicalisms.² As the ascent of the Central and East European periphery to the European core proved to be more difficult than anticipated, intellectuals abandoned en masse the first *Bildungsbürgertum* project. They began to think about non-capitalist, even anti-capitalist, ways to modernize the periphery. In the left-wing version the intelligentsia assumed the role of the anti-capitalist

revolutionary vanguard, whose task it was to carry out a proletarian revolution in countries with a weak proletariat; in the process a proper proletariat was expected to appear. Intellectuals here acted as a substitute proletariat.³ In the first project, as a substitute bourgeoisie, they had promoted the cause of moving as rapidly as possible from a feudal rank order to a capitalist class order; in the second, as a substitute proletariat, they assumed, at least in theory, the identity of a universal class, which was supposed to eliminate class differences altogether. From this perspective, intellectuals during this second epoch can be said to have pursued a “New Class project.”⁴

The third epoch began the late 1970s and continues to this day. By this time the hope of East European intelligentsia to make the left-wing radical project ever work had disintegrated. In their disenchantment, interestingly, they rediscovered the liberal traditions of their intellectual forbearers of the eighteenth and nineteenth centuries and concurrently abandoned the New Class project. Dissident intellectuals in the late 1970s began to bring back the idea of “civil society.” At first this term was intended to describe a third way, or third situation, as different from the communist state as it was from bourgeois society. But soon anti-bourgeois sentiments weakened such that the intelligentsia began to understand its mission as making capitalism without capitalists, overthrowing communism in the process. In this sense intellectuals reverted back to being the cultural bourgeoisie of the first epoch. This project of the post-communist intelligentsia I call the “second *Bildungsbürgertum* project.”

This paper focuses on this second *Bildungsbürgertum* project, exploring its inherent contradictions in an effort to cast some light on its successes and failures. Central and East European dissident intellectuals—former left-wing critics of state socialism, now fully transformed into cultural bourgeoisie—have made an admirable effort on behalf of modernization, but have they succeeded? The answer eludes us. Almost two decades after the fall of socialism, it is still unclear whether the transition from socialism to capitalism led by the second *Bildungsbürgertum* will achieve its ultimate goal, namely moving the Central and Eastern European peripheries closer to the core of Europe. It is actually possible that we are witnessing nothing but a transition from “the periphery to the periphery,” as Ivan T. Berend has described the process.⁵ And, the critical question remains: if this second project of

building a capitalist civil society fails, will a new wave of radicalization again shake up the intelligentsia?

Antinomies of the “Cultural Bourgeoisie”: Can An Intellectual Be Bourgeois?

There is a contradiction inherent in the terms “intellectual” and “bourgeois,” born of history as well as semantics. The term *Bildungsbürgertum*, which conjoins the two ideas, was coined during the 1920s.⁶ It was meant to be ironic: the point was to ridicule those who pretended to be intellectuals but behaved as if they were bourgeois. The irony turned on the eighteenth-century meanings of the root words *Bildung* and *Bürger*. *Bildung*, impossible to translate concisely into English, carries the primary meaning of “education,” but this is education broadly conceived, liberal education rather than training. *Bildung* is closely associated with *Kultur* (culture), meaning the arts, humanities, and social sciences, as distinct from *Zivilization* (civilization), the institutions and rules of the material culture. An intellectual embodies *Bildung* in being highly educated and dedicated to high culture and its concerns. A bourgeois (*Bürger*) is something quite other, a well-trained individual, devoted to the process of fostering material civilization and, through connotative association, everything not part of *Bildung*. The idea of the *Bildungsbürger* is, therefore, something of an oxymoron, signifying an individual whose various social roles and activities work at cross-purposes. In this sense, the twentieth-century coinage embodies a historical contradiction, and for this reason, among others, critics on both the Left and Right have agreed that the idea of a *Bildungsbürgertum* or cultural bourgeoisie is a sophism.⁷ Certainly no one in the late eighteenth century, the era when both *Bildung* and *Bürger* assumed such cultural significance, thought to conjoin the two.

They were, however, aware, that the world of the bourgeoisie was not necessarily going to favor broadly humanistic education. Goethe was maybe the first to see with clarity this antinomy. The bourgeois epoch was developing as a time of one-sidedness (*Einseitigkeit*). *Bildung*, which conveys a total and rich worldview, was being narrowed to *Ausbildung* (training).⁸ Kant explained in similar vein that Enlightenment (*Aufklärung*) is a broad, all-sided development of humanity. His

concept of Enlightenment diverged from the theories of his English or French contemporaries. In the (arguably more bourgeois) English and French tradition, it is understood as primarily a process in which the secular, scientific world-view gains prominence. Kant, in contrast, sees Enlightenment as the epoch in which humankind reaches adulthood, that is, maturity: *Ausbildung* or training allows us to become scientists, but enlightened *Bildung* is necessary for maturity.⁹

Hence, even at the very heights of the first *Bildungsbürgertum* project, there was a tension between the task of *Bildung*, and the position of the *Bürger*, between intellectual and bourgeois. At the turn of the twentieth century this contradiction became increasingly antagonistic. Intellectuals had begun to see that their modernization project for Central and Eastern Europe was failing, or at least was following a twisted path. Modernity was leaving them homeless, alienated, and disenchanting in a world ruled by instrumental reason, in which meaning and culture were being lost and civilization reined in. The tasks of true intellectuals were to rediscover totality and to restore community and subjectivity. These themes were expressed in philosophy, the social sciences, literature, and art.

Intellectual malaise at the dawn of modernity was common in all modern or modernizing countries, but it may have been felt with greater intensity by the intelligentsia living on the Central and East European periphery. Berlin, Vienna, St. Petersburg, Moscow, Prague, and Budapest before the Great War were all vibrant centers of intellectual discontent and creativity. The very term “intelligentsia”—which captured the idea that true intellectuals are not just technically skilled professionals but also people with a critical vision of the future who are inevitably marginal and progressive—was coined in Russian and entered the vocabulary of other languages from Russian. It may also be that intellectuals on the European periphery, especially in Central and Eastern Europe, were particularly sensitive to the antinomies of modernity, that is, to the contradictions between life as intellectuals and existence as bourgeois. The possible causes are threefold: First, progress towards the western model of modernity was frustratingly slow. For three generations intellectuals had been waiting with increasing impatience in Germany or Russia for the catch up with the West.¹⁰ Second, often unanticipated and undesired consequences had come before the desired and intended ones, and life had become filled with disenchantment

and alienation, well before the paternalistic social relations so resented by the educated middle class gave way to more meritocratic principles. Third, the gap with the West had closed faster in the system of tertiary education than in the rest of the economy and this had led to the overproduction of the university educated middle class. The large population of unemployed university graduates offered rich recruiting grounds for radical left- and right-wing political movements dedicated to undermining the bourgeois order. Some of these young university graduates did not even bother to seek gainful employment since they could live from family wealth.¹¹ Others had little hope of employment, as they did not possess marketable skills (the emphasis on *Bildung* rather than *Ausbildung* in the German-modeled university system often did not provide students skills needed by the modernizing economies).

This is not to suggest that bourgeois values and lifestyles lost their general appeal among the educated middle class: quite the contrary. The traditional professions (law, medicine, and accounting) were growing, as were the state administrative and military bureaucracies. All of these sectors offered salaries commensurate with bourgeois, or at least petty bourgeois, lifestyles. But the ranks of dissenting intelligentsia, which were rebelling culturally by experimenting with radical ideas, alternatives to bourgeois values and habits, and, even sexual mores, were growing even faster. Eventually these critical intellectuals often ended up by affiliating themselves with radically anti-capitalist political movements, such as Bolshevism, fascism or anarchism.

Contradictions in the Making of the Second *Bildungsbürgertum*

For turn-of-century radical intellectuals, the appeal of communism (and anarchism) proved deeper, broader, and longer lasting than that of other anti-bourgeois ideologies. The anti-capitalist credentials of fascism were doubtful and the anti-Semitism of Nazism limited the reach of the far Right among the intellectual avant-garde, especially since many of the latter were people of Jewish ancestry. In philosophy, social sciences (especially economics), literature, the arts, and music, therefore, a great many innovative thinkers joined forces with the Bolsheviks to carry on the anti-establishment and often explicitly anti-bourgeois

revolutions they had already begun in their professional endeavors. Unlike the Nazis, who turned against modernism in the arts, labeling it “*entartete Kunst*” (degenerate art), the Soviets—at least for some time—accommodated modernism in art, literature, inside the parameters of their own “new realism” (an approach that eventually deformed into doctrinaire socialist realism).¹²

The depth and breadth of this elective affinity between the intelligentsia and communism is debatable. Many liberal professionals resented Bolshevik radicalism, and the nationalist intelligentsia, for the most part, also opposed communism as too cosmopolitan and internationalist. It was not long before the strains began to take their toll on the intelligentsia. Among the disaffected some emigrated to the West, affiliating themselves with all manner of non-communist political positions; others continued to express their discontent only to find themselves labeled “left-wing deviationists”; still others, later, vanished in the Gulags. Most, I believe, simply disengaged politically and found their *modus vivendi* within state socialist structures. The result was fragmentation among the always fractious intelligentsia. As a result, the second project, the New Class project, of Central and East European intellectuals began to disintegrate before it was fully launched, giving way to what I call here the “second *Bildungsbürgertum* project.”

It is my contention that this last of the three projects, the plan to “build” capitalism by design, on the ruins of socialism, is quite different from the two earlier projects. It did not arise like an old crack in the wall of socialism, but rather gave a new, fatal blow to that wall, a blow that was responsible, at least in part, for the collapse of the state socialist edifice.¹³

Searching for the intellectual genealogy of the new bourgeois liberalism of the second *Bildungsbürgertum* project leads us back to the events of the 1960s and 1970s as experienced by the generation then coming of age. Invigorated by the winds of reform that had begun blowing after Stalin’s death, some young intellectuals, inspired by Trotsky, Che Guevara, and even Mao, began to compare the initial vision of Marx and Lenin with actually existing socialism and they ended up judging the earliest post-Stalinist reforms as betrayals of pristine socialist ideals.¹⁴ Many of these radicals were children of high party and government officials, and their revolt, therefore, had a dual significance, as a simultaneous questioning of the legitimacy of state

socialist and parental authority. Some drifted to the far Left and even considered the possibility of an armed revolution against what they perceived as a state capitalist order. Party officials quickly labeled them “left-wing deviationists,” and had some among them fired from their jobs or even imprisoned. Many of these dissidents, however, elected to join with the Communist Party or Communist Youth Organizations, hoping that through their participation the system could be reformed and turned into what they regarded as authentic socialism.

Meanwhile, fertilization across the East–West divide was taking place. The Western New Left, with its anti-bureaucratic, anti-authoritarian, and libertarian views made a deep impression on some young intellectuals in Eastern Europe, and similarly the Eastern Left influenced its counterparts in the West. Western anti-Vietnam War rhetoric was applauded in the East, while the ideas of Georg Lukács, Leszek Kołakowski, and other Marxists found avid followers in the West. The young radicals in the East may not have been as numerous or outspoken as their comrades in Paris or Berkeley, but they concurred with their Western counterparts on many points and followed a similar lifestyle. East and West, radicals sprouted beards and donned blue jeans and t-shirts. They experimented with drugs and practiced promiscuity, and some moved together into communes. Intellectuals in the East, arguably, were struggling against a different leviathan than in the West, but they too embraced the mission of provoking the establishment.

At the same time, at least in some of the East European countries, party control over creative and intellectual endeavors, such as art, literature, and film, and later, philosophy and the social sciences, was relaxing, thereby opening up new avenues for expression to the Eastern anti-cadre, anti-bureaucratic radicals. Art seems to have been the first field of intellectual creative activity over which party control eased. Socialist realism in art died almost the day of Stalin’s death, and new forms of artistic expression began to be tolerated. By the early 1960s the modernists of the older generation, long suppressed, began feeling free enough to resume their work. The younger generation began experimenting with new styles, first with pop art, and later with abstract. The cadre elites were shocked with these new artistic representations, and occasionally exhibitions were censored. But despite the initial, official outcry about negativism, excessive pessimism and sexual aberration, these experiments, as long as they were not overt expressions of

political dissent, came to be tolerated. The same happened in film and somewhat later in literature.

The new radicalism in the social sciences, philosophy, economics and sociology had a harder time being accepted. Here, the ideological taboos were clearly demarcated and more strongly upheld. During the 1960s, for example, even to suggest that Marxism was not a homogeneous set of theoretical propositions bordered on heresy. Eventually, however, social science also moved from doubtfully radical claims about pluralism within Marxism to a somewhat more contentious appreciation of, if not praise for, market mechanisms; to considering the possibility of market socialism; and finally to the radical idea of civil society. The embrace of the idea of civil society was a step necessary for the transformation of the left-wing radicalism into bourgeois liberalism. In eighteenth-century social and political theory, the idea of civil society had been linked inextricably to the notion of “citizenship” in the French and English tradition, and had been used to describe the ideal society based on free contract between individuals. Being a “citizen” was the opposite of being a “subject.” Given the historical context, there was no need to reflect on the relationship between being a citizen and being a bourgeois. In the late twentieth century, in Eastern Europe, the idea of civil society was put forward as an alternative to the party-state. The contrast was drawn between the (socialist) state, “them,” and (civil) society, “us.” For intellectuals coming from the Left and heading toward bourgeois liberalism, the very vagueness of the concept of civil society was particularly useful, for it enabled them to advocate such a society without also advocating a bourgeois order, or capitalism. Following the analogy with the mixed concept “market socialism,” even a “socialist civil society” was conceivable.¹⁵ This civil society was perceived as either authoritarian communist or anarchistic capitalist in nature. It was conceptualized as a society *with* civil liberties but *without* private ownership.

To the best of my knowledge, no one put forth a serious proposal to re-establish private property until 1980, when the Solidarity Movement in Poland embraced the idea. Even then, however, the idea garnered negligible support in Poland and practically none elsewhere in Eastern Europe. The leading economists, who would become later the most ardent advocates of privatization and of transition to capitalism, still believed during the early 1980s that nationalization is an irreversible process.

The full transformation happened in the later 1980s, when many members of the Central and East European intelligentsia began to identify themselves as a *Bildungsbürgertum*, an educated middle class, eager to take upon itself the challenges of creating markets, civil liberties, and private ownership, three of the essential ingredients of capitalism. Where the first *Bildungsbürgertum* had feared to tread, hesitating to identify with the capitalist middle class, the second *Bildungsbürgertum* strode boldly in, proudly proclaiming itself “bourgeois.” The original antinomy of citizen versus bourgeois vanished.

Whatever the analogies between the artistic, literary, and social science radicalism at the turn of the twentieth century and the intellectual radicalism of late state socialism, there were also important differences. The latter involved experiments with forms and ideas already part of bourgeois consumption patterns in the West. Artistic and literary products coming from Central and Eastern Europe found receptive Western audiences. In the East, these very same works continued to provoke the bureaucracy. Novelists who could not publish their work in their native, socialist lands lived from royalties received from Western publishers, and Central and Eastern European avant-garde artists found a ready market in the West. Even Eastern social scientists benefited. More often than not they identified themselves as politically left-wing. But their rediscovery of the “market” and the “invisible hand,” and their anti-statism fit within the Western context into the agenda of the political Right. Upon emigration, they faced a new conundrum: either to accept that they were now politically reassigned from Left to Right, or to recast their critical analysis.¹⁶

As the fall of socialism was approaching, the former Left-wing critics of state socialism in Central and Eastern Europe began to define themselves as advocates of liberal capitalism. They described themselves and their project as “bourgeois” (*bürgerlich*) and they went way beyond the worldview of the first *Bildungsbürgertum* two centuries earlier. There is an admirable intellectual radicalism to the second *Bildungsbürgertum* in comparison with the first.

Incidentally, and ironically, hot debates have developed over questions such as who the first dissenters were, what their project was supposed to be, who collaborated with the regime, and who the true bourgeois are. During the period 1989–90, non-communist intellectuals split into two hostile camps (liberals on the one hand and

conservative-patriots on the other hand), and ever since, the conflict between these two camps has been greater than their conflict with the former communists. An intellectual war is being waged. In this war there is a struggle for the “bourgeois” label. For most of the twentieth century no true intellectual would have wanted to be bourgeois, or could have been; at the end of the century only those who were bourgeois could claim to be intellectuals.

By the end of the 1990s conservative-patriotic intellectuals began to lay exclusive claim to the bourgeois label, which in late socialist, early post-communist Central and Eastern Europe had been associated only with liberals. They managed this by adopting another West European, especially German, political discourse. In Germany, “bourgeois” is used to describe the conservative, Christian Democratic field, while the antagonists, the Social Democrats, are called “left,” or even “socialist” liberals. German liberals, meanwhile, insist that their record and platform on civil rights and liberties gives them exclusive right to call themselves bourgeois (here meaning “civil” or “civic”). They prefer to dispose of the left–right distinction altogether and instead to label the competing fields “liberal” and “conservative.”

This controversy indicates the presence of deep internal contradictions, different from the antinomies of old, within what I call the second *Bildungsbürgertum* project. Both sides in this struggle for the label “bourgeois” make some good points. Liberals are correct in pointing out that post-communist conservatives typically are more “ethnic” than “civic” in their conservative world view, and that hence to label them “bourgeois” is a misnomer. But conservatives are on the dot when they claim that the left-wing origins of liberals, and in particular their continued commitment to left-liberal understanding of civil liberties is at odds with what normally is defined in politics as “bourgeois.”

Will the Second Bildungsbürgertum Project Succeed?

At the beginning of the twenty-first century, Central and East European intellectuals face problems analogous to those that confronted their intellectual ancestors a hundred years earlier. First, building capitalism takes more time than anticipated. It may not even be achieved within one generation, at least if the result on the European periphery

is to resemble Western liberal capitalism. Second, the price of capitalism must be paid before its benefits, if there are any, can be enjoyed. Intellectuals today are particularly alarmed by the spread of commercial culture and the decay of the high culture as capitalism takes hold in their countries. Finally, as in the late nineteenth century there is an over-production of highly educated people. Job prospects for young university graduates—who often do not receive training in marketable skills to begin with—are in short supply. The question arises: will intellectuals once again turn against the bourgeois project and adopt a new radicalism?

While the analogies between the two *Bildungsbürgertum* epochs are apparent, so are the differences. At the beginning of the twentieth century, world capitalism was entering a period of repeated crises, while today liberal capitalism has achieved worldwide hegemony. Furthermore, in contrast to the earlier era, today, with the expansion of the European Union, at least part of the European periphery is on its way to becoming part of Europe and may enter the liberal core of the world capitalist system, domestic internal contradictions notwithstanding. If any *Bildungsbürgertum* project has ever had a chance to succeed in Central and Eastern Europe, now is the time.

Disenchantment of Intellectuals with Post-Communist Capitalism

The transition from socialism to capitalism has turned out to be longer and more painful than any of the commentators expected. David Stark, implying that the goals desired by the liberal intelligentsia may elude them, has remarked that we may be observing, not a transition but a transformation.¹⁷ The new society is being built *with* rather than *on* the ruins of state socialism. Or, as Ivan Berend has put it: “after 1989 we realized that socialism was nothing more than a detour for Central and Eastern Europe on its way from the periphery to the periphery.”

In 2007, almost two decades after the breakdown of the socialist system, the picture looks somewhat more complex than these assessments suggest. The Central European countries have recovered from their deep post-communist transitional crises and have joined the European Union. It would seem they are well on their way to some

version of liberal capitalism: mission—in this narrower economic sense—accomplished, or nearing completion. Further east, however, a neo-patrimonial system of capitalism has emerged, which may keep these countries on the periphery of the capitalist world system.

Of course, it is necessary to wait and see how long and painful the transition into the EU will be. Will Central Europe follow the example set by the southern countries and Ireland and close the gap with the rest of the EU relatively quickly, or, will they remain on the periphery? Even in the best case scenario for Central Europe, namely that the region will experience an Irish miracle, disappointment is inevitable for the second *Bildungsbürgertum*. Closer inspection may show the face of the bourgeoisie uglier than the liberal intelligentsia wanted it to be.

Today in former socialist Europe, high society is dominated by the *nomenklatura* bourgeoisie. In Eastern Europe proper—in Russia and to some extent Romania and Bulgaria—the members of the former cadre elite, or their children, have managed to convert their political privileges into private wealth. In Central Europe the tendency toward such political capitalism has been much weaker, civil society and democratic control stronger, and the wholesale theft of the public good by former officials or managers more difficult than expected. Nevertheless the liberal intelligentsia still has to come to terms with the fact that the cadre elites, the very groups against which the intelligentsia was fighting, have come out, on the whole, better off in the transition than the liberal or conservative-patriotic intelligentsia. And, of course, to speak metaphorically, if private property was originally conceived in sin, it is likely to continue its existence in sin. Post-communist societies are particularly vulnerable to corruption and the highly moralizing liberal intelligentsia has a very difficult time reconciling with that reality.¹⁸

Let me conclude with a brief note on over-education, one of the factors that will bedevil the new system. The tertiary education system has exploded during post-communist years. Funding of university teaching and research is inadequate, even while enrolment has skyrocketed. The university system itself has been undergoing transition and is still only half-reformed. Meritocracy often takes the form of credentialing. A university degree is sought because it is believed that the degree will generate higher incomes, not because skills are learned in the process. More people are receiving tertiary education than are needed on the labor market. And aggravating the situation is the persistent fact that many

graduates do not have many useful skills to begin with. Therefore, even if the market improves over time, the prospects for young intellectuals to find proper jobs and earn decent incomes remain poor.

Currently the frustrating experience with tertiary education and the job market is creating malaise, rather than radicalism of the kind one could observe in late-nineteenth-century Russia. But there is a serious demographic problem for young adults in their late teens or early twenties. The collapse of the Soviet block accelerated mobility and young people who were already in cadre positions in 1989 moved upward rapidly because the politically vulnerable bosses had to go. This generation was mainly composed of young cadres, in their late twenties or thirties in 1989. Many of them became wealthy; and even if they did not become particularly rich, they at least occupied the command positions in the economy and politics. Consequently, today the leading positions, most desirable for the educated middle class, are filled with relatively young people who are likely to stay there for another quarter of a century. Under these circumstances the chances for upward mobility for young people graduating from universities during the first decade of the twenty-first century are strictly limited.

Given the loss of enthusiasm in the earlier cohort of liberal intellectuals and the social dislocation of the youngest generation of intelligentsia, there is a material base for radicalization, similar to the one of the late nineteenth century. Little radicalization shows, however, since there is no conceivable alternative either on the political Left or the Right. The only appeal to radical thinking I can detect comes from the anti-globalization movement, and is limited and filled with internal contradictions.

Prospects for Critical Intellectuals on the European Periphery in a Globalizing World

Anti-globalization may become the focal point of intellectual resentment against post-communist capitalism. The anti-globalization sentiments of the post-communist intelligentsia are cultural, political, and to some extent economic. Much like the anti-globalization movement in the West—arguably even more so—there is a blurring of the lines dividing the Left from the Right.

The European question clouds the prospects of anti-globalization dissidence, especially on the political Left. The liberal intelligentsia (and the former communist technocracy, which occupies the left position in post-communist Europe) is strongly committed to the European Union, and a stand explicitly against EU policies is taken only by the far Right.

In cultural matters there is more space than in the economy for a new critical intelligentsia that is anti-globalization and even anti-bourgeois. Creative intellectuals are greatly dependent on global markets. But there is not much demand for Central and East European cultural and social-science products on those markets. In retrospect, during communist times the Western fashion for creative Central and East European art, film, literature, and social sciences may have been driven by politics; the avant-gardes across Europe during that earlier period were friends, since they were enemies of enemies. Now, increasingly, success requires commercialization, and commercialized global markets are dominated by American taste and mass-produced products. Ironically, the very intellectuals who formerly greatly resented the government's involvement in cultural affairs now suffer from post-communist cutbacks in government cultural budgets and find themselves lobbying for more state funding.

Somewhat unexpectedly, there has been a great deal of political anti-Americanism expressed in connection with the U.S. wars against Afghanistan and Iraq. I call this unexpected, since the political class of the "new Europe" remains firmly pro-American. The new anti-Americanism is part of a counter-hegemonic tendency. This new trend resembles the situation in the 1960s during the Vietnam War but is probably more widespread and deeper. The newly emergent anti-American feelings are also age specific and appear to be particularly intense among younger people, especially high school and university students.

There is undoubtedly an emergence of a new critical intelligentsia inspired by issues of anti-globalization and fuelled by the peripheral situation of post-communist Europe. I remain skeptical of the future of this new critical movement. The strength of the movement for the time being relies on a fragile and, in the long run, unsustainable alliance of a weak political radical Left with a loud but numerically tiny political far Right.

The second *Bildungsbürgertum* has completed its mission, and now, perhaps, the time has come for it to abolish itself. Given the worldwide hegemony of bourgeois liberalism it is unlikely that the Central and East European intelligentsia can find its way to some new radicalism. Rather it will face, with a mixture of malaise and irony, the task of reconciliation with the world, with the reality of actually existing capitalism.

NOTES

- ¹ David Blackbourn and Geoff Eley, *The Peculiarities of German History: Bourgeois Society and Politics in Nineteenth-Century Germany* (Oxford: Oxford University Press, 1984); Franz-Joseph Brüggermeier, "Der deutschen Sonderweg," in *Bürgerliche Gesellschaft in Deutschland*, ed. Lutz Niethammer (Munich: Fischer Taschenbuch Verlag, 1990), 244–49. On the concept of *Bildungsbürgertum*, see Werner Conze and Jürgen Kocka, eds., *Bildungsbürgertum im 19. Jahrhundert*, 4 vols. (Stuttgart: Klett-Cotta, 1985–92); Jürgen Kocka, "Bürgertum and Bürgerlichkeit als Probleme der Deutschen Geschichte von späten 18. zum früher 20. Jahrhundert," in *Bürger und Bürgerlichkeit in 19. Jahrhundert*, ed. Jürgen Kocka (Göttingen: Vandenhoeck and Ruprecht, 1987), 21–63.
- ² David Caute, *Fellow-Travellers: Intellectual Friends of Communism* (New Haven: Yale University Press, 1988).
- ³ Alvin Gouldner, *Future of Intellectuals and the Rise of the New Class* (New York: The Continuum Publishing Corporation, 1979).
- ⁴ Some scholars have argued that in acting this way they actually promoted their own—some would say "class"—interests. Alvin Gouldner suggests that they were a "badly flawed" universal class. See *ibid.*, 1979.
- ⁵ Ivan T. Berend, *Central and Eastern Europe, 1944–1993: Detour from the Periphery to the Periphery* (Cambridge: Cambridge University Press, 1996).
- ⁶ See Ulrich Engelhard, *Bildungsbürgertum. Begriff und Dogmengeschichte eines Etiketts* (Stuttgart: Klett-Cotta, 1986). According to Engelhardt, Kuno Brombacher, an early advocate of National Socialism, created the term in the 1920s.
- ⁷ There are three periods in the history of the idea of the *Bildungsbürgertum*. During the interwar years the concept was used with anti-bourgeois connotations just as described above. During the early post-war years, it retained some of the negative implications, but it was no longer a criticism of the bourgeois values of the intellectuals (bourgeois by now was a positive concept), it was rather supposed to explain why Germany's modernization project was not successful. The weakness of the economic bourgeoisie and the prominent role of intellectuals as *Bildungsbürgertum* were used to explain German backwardness. Finally during the 1980s at least some German

historians began to see advantages in the German *Sonderweg*. They argued that *Sonderweg* modernization, based on a balanced social structure in which propertied and cultural bourgeoisie complement each other, is preferable to the western path, in which the propertied class predominated, and to the eastern path, in which the cultural bourgeoisie was the main driving force of social and economic change. While the etymologies of the German word *Bürger* and the French/English bourgeois are similar (both come from the word “city”), in French and English, bourgeois and *citoyen/citizen* were separated eventually into two distinct concepts. In German the term *Bürger* retained the dual meaning of “capitalist” and “citizen,” though, over time the emphasis shifted towards “bourgeois,” hence the reluctance of the West German Left to use the notion *bürgerliche Gesellschaft* to describe the ideals of civil society.

- ⁸ See Meyers *Enzyklopädisches Lexikon* (Mannheim: Lexicon Verlag, 1972), 4:195.
- ⁹ See Immanuel Kant, “What is Enlightenment?”
- ¹⁰ Marx wrote already in 1844, in his “Critique of Hegel’s Philosophy of Right: Introduction” that Germany is “contemporary” with France and England only in philosophy. By the mid nineteenth century and even more so by 1900, Berlin, Vienna, St. Petersburg, and Moscow matched the importance of Paris and London as centers of culture and science, though in social and economic terms they were rather “backward.”
- ¹¹ Karl Mannheim referred to these as “socially unattached intellectuals.”
- ¹² Abstract art is a good example. It was a logical culmination of the anti-bourgeois revolution. Kazimir Malevich, the ultimate abstract painter of his generation, saw himself, for instance, as performing a role in art analogous to that of the Bolsheviks in society. Furthermore some artists, after experimenting with abstraction and believing they had exhausted its potentials, were attracted back to figurative representations, to the “new realism” (*neue Sachlichkeit*), which, in its early stages, was of similar inspiration as “socialist realism.” Malevich himself, during the 1920s, experimented with some figurative representations that came close to socialist realism.
- ¹³ About intellectual dissent as an alternative to the New Class project and its importance in the fall of socialism see Janina Frentzel-Zagorska and Krzysztof Zagorski, “East European Intellectuals on the Road to Dissent,” in *Politics and Society* 7 (March 1989): 89–113; George Konrád and Iván Szelényi, “Intellectuals and Domination Under Post-Communism,” in *Social Theory for a Changing Society*, ed. Pierre Bourdieu and James Coleman (Boulder: Westview Press, 1991), 337–61; Balázs Szelényi and Iván Szelényi “Why Socialism Failed?” in *Theory and Society* 23 (April 1994): 221–31.
- ¹⁴ Jacek Kuroń and Karol Modzelewski were probably the first representatives of this new generation, soon to be followed by many, especially in Hungary and Yugoslavia.
- ¹⁵ Iván Szelényi, “Socialist Opposition in Eastern Europe—Problems and Prospects,” in *Democratic and Socialist Opposition in Eastern Europe*, ed. Rudolf Tökés (London: Macmillan, 1979) 187–208.

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- ¹⁶ Among Polish émigrés, for instance, Leszek Kołakowski and Zygmunt Bauman seem to be taking divergent roads, Kołakowski turning into some variety of a conservative, while Bauman, in post-modernism, finds a new theoretical perspective, which keeps him on the broadly defined political Left. Both authors were heroes for what turned out to be the post-communist liberal intelligentsia in Central Europe.
- ¹⁷ See David Stark and László Bruszt, *Post-Socialist Pathways: Transforming Politics and Property in East Central Europe* (Cambridge: Cambridge University Press, 1998).
- ¹⁸ János Kis, one of the noblest characters of the Central European liberal intelligentsia, felt obliged to resign his membership in the Liberal Party he had helped to create when it turned out that the prime minister of their coalition government had been an intelligence officer during the socialist times. He insisted, either that the prime minister would have to resign, or that he would leave his victorious party if it stayed in coalition with this prime minister.

CHAPTER TEN

Globalization, Core, and Periphery in the World Economy of the Late Middle Ages and Early Modern Times

HERMAN VAN DER WEE

Introduction

A theme as vast in temporal, geographic, and conceptual scope as the one of this article—"Globalization, Core, and Periphery in the World Economy of the Late Middle Ages and Early Modern Times"—obviously defies treatment within a simple essay, or scholarly conference. Still, attempts to treat this theme schematically, even if the results do not provide a perfect historical fit, can be stimulating as well as heuristically valuable. In this spirit, I offer the following essay.

The paper is divided into three parts: an outline of critical concepts; an historiographic excursion through conventional interpretations; and my own hypothesis, aimed at mitigating certain inadequacies in the traditional approaches. In the first part, I will specify relevant concepts, examining at the same time their usefulness to our analysis. In the second part, I will present a brief overview of traditional wisdom on the history of economic development in late medieval and early modern times, insofar as that history has been studied within the context of economic growth during the modern era. In this second part I will also take a critical look at current hypotheses about relations between core and periphery, examining their efficacy and adequacy as explanatory models, and identifying aspects that ought to be either rejected or simply fleshed out. In the third and last section I will present my own hypothesis, integrating traditional wisdom—as far as I consider it valid—with new explanatory variables. Throughout my analysis, I approach the problem of core-periphery relations from a Eurocentric perspective. I have consciously elected this point of view, as the paper aims at examining the historical roots of Europe's world hegemony in the nineteenth century.

Concepts

Let me start by specifying briefly the concepts to be applied and tested in the paper. The first is “economic globalization,” which Richard Cooper describes as a “movement” toward a single integrated world market in which “buyers and sellers are in such free intercourse with one another that prices of the same goods tend to equality easily and quickly.”¹ This ideal, of course, is not directly relevant to the study of our era, but crucial for the purpose of this paper is the word “movement.” Globalization can be seen as a process involving change over time and is thus a concept adaptable to the interests of the historian. He can profit from asking the question: to what extent did late-medieval and early modern economic development favor a process of economic globalization? And if so, to what extent did economic development during that period accelerate or decelerate the process?

“Core” and “periphery,” considered in economic terms, are more complex than “globalization.” They are linked with the concepts of “dependence” and “interdependence,” “equality” and “inequality.” Moreover, they do not refer in the first instance to a change over time but to a condition, that is, to a static situation. If core and periphery, in their static conceptualization, are applied to economic development as an historical and dynamic process, certain problems of logic arise. The core—assumed in this case to be a dominant economic area that imposes unequal trade and other conditions upon its periphery—would necessarily be able to increase and reinforce its dominance on a permanent basis. The economic institutions that the core has created or is still creating in order to maintain its dominance would, logically, become more sophisticated and powerful over time, and the increasing efficiency would weaken the periphery to such an extent that there would be no scope left for structural change.

Historical reality, however, tells a different story. The periphery in the past has not been condemned to permanent economic immobility or to increasing impoverishment. The core has never been able consistently to maintain its economic power and predominance. Shifts have occurred always and everywhere. Cores regularly have become peripheries and vice versa. The concepts of core and periphery, therefore, can only be used in an analysis of economic dynamics if they are embedded

in a broader explanatory framework. They can never be exclusive key variables in interpreting and explaining the economic past.

Traditional Wisdom Reviewed

In this second part I shall first present a brief overview of the traditional historiography of late medieval and early modern economic development as studied in a broader context that includes the modern era. As a starting point I will use the general chronological scheme that Jan de Vries has employed so successfully.² According to de Vries, recent studies on economic development during the second millennium are characterized by a chronological division into two main periods, separated by a transitional period in between. The first period covers the years from about 1000 to 1750, while the second covers the years circa 1820 to the present. Between the two stands the Industrial Revolution, during which the structures of the economy were fundamentally altered.

The first, pre-industrial period is usually situated within the framework of a neo-Malthusian model that stresses the unchanging nature of demographic cycles and consequent economic relations. According to Emmanuel Le Roy-Ladurie, this is the era of *l'histoire immobile*. Population is the key variable. Economies are strictly local phenomena, structured by the relationship between individual lords, nearby towns, and the immediately surrounding countryside. Globalization, core, and periphery have their place to be sure, but they play rather modest roles, limited to specific regions within which several of these local constellations might engage in economic exchanges. The basic model can be defined as follows: given an inelastic supply of land, a constant technology, and a rigid institutional system, population growth over time generates increasing incomes for the lords and for the urban patricians, and creates an impoverishment of the peasants and urban workers. The subsequent famines, epidemics, and wars generate demographic decline, which reverses the income trend and creates a circular pattern over the long term. The model is said to apply for the entire period 1000–1750.

Social and economic historians dissatisfied with the neo-Malthusian model have added extra explanatory variables to try to enrich it.

Robert Brenner, for instance, has argued that the 1750 structural break was preceded in the late Middle Ages by an equally significant socio-institutional change. This earlier change generated the conditions for regionally differentiated economic growth and long-term population increases. The model allowed Brenner to speak of core and periphery relations in much earlier times and within a much broader regional framework than its strictly neo-Malthusian predecessor. Fernand Braudel and Immanuel Wallerstein, for their part, had already tried to improve the hypothesis by adding the "market" as a key variable. In their view, the pre-industrial period had to be divided into two great sub-waves. During the first wave, which ran from about 1000 to 1450, population functioned as the key variable for explaining the long-term trends of the European economy. During the second wave, however, which ran from about 1450 to 1750, trade replaced population as the key variable: Adam Smith joined Malthus, so to speak, to take into account the significance of commerce.

According to Braudel and Wallerstein, the discovery of the New World and the circumnavigation of Africa generated a huge extension of the European economy by drawing the Americas and Asia into the network of trade relations. The structural effect upon the economy was enormous, giving birth in the end to the wholly new system of modern commercial capitalism, as merchants, responding to new opportunities, increased their activities. The concepts of globalization, core, and periphery acquired more weight in this model, functioning as the drivers of development in the new wave: "market" and "population" worked together, increasing the possibilities for globalization. Core and periphery, meanwhile, also played a new, central role in explaining the regional differences in economic development, not only from the European perspective but also on a world scale.

De Vries and Ad van der Woude more recently have introduced a quite unique periodization for the history of the economy since 1000. They posit a pre-industrial wave ending in 1580, and a modern industrial wave extending from 1580 to the present.³ This somewhat peculiar subdivision must be understood in the context of the authors' main hypothesis about the problem of long-term economic development. They reject the common assumption that the Industrial Revolution was the turning point in the structural development of the world economy. The real transition from old to new, in their view, occurred

with the steep and sudden rise of Amsterdam and the Dutch international economy between 1580 and 1585. This change ushered in a first round of modern economic growth, which has been followed by two other rounds dominated by England and the United States successively. De Vries and van der Woude begin with socio-demographics, arguing that around 1580, the Dutch managed to circumvent Malthusian checks on population by importing food from the Baltic and creating a specialized agriculture and industry, oriented toward the export market. They were able to maintain a rising standard of living for the population as a whole throughout the seventeenth century, despite intense demographic growth. For this model, the international character of the Amsterdam market is a critical structural factor.

In a recent article in the *European Review*, I have challenged de Vries's and van der Woude's hypothesis, making a few points against the Braudel and Wallerstein hypotheses as well. I dispute the claim that something unique happened in the Dutch Republic in the last decades of the sixteenth century. I argue that similar patterns can be seen in the eleventh century in the core European economies. Indeed, given the continuities in economic development, including economic practices and economic know-how, before and after 1580, it seems unjustified to introduce the notion of a structural break in the year 1580.

De Vries and van der Woude insist that an economy must meet three criteria before it can be called "modern": (1) it must be characterized by free markets for commodities and for factors of production; (2) its agents must pay special attention to increases in overall productivity that allow for sustained economic growth; and (3) the public authorities must protect property rights and uphold contracts. Testing these three conditions against the situation in the seventeenth-century Dutch Republic, they conclude that the Dutch economy fully met these criteria.

The first of the de Vries and van der Woude criteria fails to hold in a comparative analysis of the core of advanced economies in the late-medieval period and the sixteenth century. It is clear that the earlier economies had already met the specified condition. In fact, the markets for commodities were as free, if not freer, than they would be later, in the mercantilist seventeenth century. In the core economies, Flanders, Brabant, and northern Italy, migration from town to countryside and from region to region was occurring on a large scale. Moreover,

the interregional and intercontinental flow of gold and silver was already impressive. Throughout Europe, cashless payments and payments by international clearing became more frequent in the transfer of capital. Of course, a process of acceleration over the centuries took place, but no fundamental discontinuity can be observed from the late Middle Ages to the seventeenth century, insofar as freedom of markets for commodities and for factors of production is concerned.

The same remarks can be made with respect to the second criterion, the attention paid to productivity-increasing investments. The Flemish, late-medieval, agricultural model of “intensive husbandry” generated a high productivity, the highest in northwestern Europe, all the way to the beginning of the twentieth century; this in spite of fluctuations in labor productivity. Whatever declines occurred were compensated more than proportionally when hidden unemployment in the countryside was absorbed by increased agricultural specialization, by the introduction of new and more labor-intensive crops, by the late-medieval move toward new, productivity-increasing, crop-rotation systems, and by increasingly successful rural industries.

Physical and economic labor productivity in the urban areas of Flanders, Brabant, and adjacent Artesia actually rose substantially before the late sixteenth century. The first increases occurred in the eleventh and twelfth centuries, with the introduction of a modern and efficient division of labor and of important product innovations in the textile industries. Later, during the fourteenth and fifteenth centuries, the specialized crafts and services—luxury and other—grew into expanding export sectors. The same trends can be observed in the urbanized areas of northern Italy during this period. In both regions these changes and innovations tended to increase income and to improve its distribution. As a matter of fact, as far as the textile industry, the dominant industrial sector of the *ancien régime*, is concerned, the main product innovations and technological and organizational advances of pre-industrial Europe were made in the southern Low Countries, and these occurred during the late Middle Ages and in the sixteenth century before 1580, *not* during the Dutch Golden Age of the seventeenth century.

Similarly, technological improvements resembling those alleged responsible for the Dutch success actually occurred earlier in other regions, so the Dutch experience loses its uniqueness. As far as shipping

and shipbuilding are concerned, the introductions of the Hanseatic *koggen* and Portuguese caravels in the late Middle Ages were as revolutionary in their time as the appearance of the Dutch *buysen* and *fluyten* in the seventeenth century. Moreover, the use of windmills and watermills as a source of energy was not a new phenomenon in the seventeenth century. Last but not least, as recent research has shown, the improvements in commercial and financial techniques in Italy during the thirteenth and fourteenth centuries and in Flanders and Brabant during the fifteenth and sixteenth centuries were no less innovative or crucial for economic development than those in the Amsterdam capital and money markets of the seventeenth century. On the contrary, Amsterdam's financial techniques were essentially more conservative in character than the innovations introduced in the sixteenth century on the Antwerp money market and at the Antwerp Exchange. In short, the seventeenth-century Dutch seem to have built their spectacular successes on techniques already at hand.

The third criterion of modernity specified by de Vries and van der Woude—the active role of the public authorities in protecting property rights, upholding contracts, and guaranteeing the free movement of persons, commodities and capital—also fails the test of specificity. The Dutch Republic doubtless met this criterion, but in the core economies of previous centuries one can already see public authorities seriously engaged in similar projects. The counts of Flanders and the dukes of Brabant, the later governments of the Burgundian and Habsburg Low Countries, and the urban authorities of the same core were all very keen to protect property rights and uphold contracts. To a large extent, so were the leaders of the republican city-states of northern Italy.

De Vries's and van der Woude's complementary hypothesis—on the continuity of long-term economic development between the rise of the Dutch economy and the rise of the British and American economies—can likewise be challenged, but any such discussion would lead us beyond the scope of this paper. Let me therefore conclude this second section with the following propositions: Long-term economic development in Europe between the years 1000 and 1750 had a structural continuity in which globalization, core, and periphery undeniably played leading roles. Population movements and the extension of markets are important variables, but extra-economic factors—social, institutional, cultural, political, and geographical—also play significant

determinant roles, especially in the realization of globalized economies and creation of core-periphery relations. Finally, the effects of variables we might call “coincidence” and “human freedom,” wherein individual merchants and entrepreneurs emerge as crucial players, must not be ignored.

In the section that follows I will begin to describe the resulting model, by exploring how specific economic and institutional variables can help us to evaluate the impact of the development of core-periphery relations and globalization within the late medieval and early modern European economy.

Globalization, Core and Periphery in their “Economic” Context

The first problem to be solved relates to the origin of the upward movement of the European economy at the beginning of the second millennium. This origin undoubtedly has complex, difficult-to-structure roots, so a more probing analysis is needed. I wish here to signal certain socio-cultural, socio-institutional, and political changes that I believe acted as formative forces in initiating the upward movement. The first set of crucial developments—the organization of religious practice within the parish framework, the partial humanization of rural serfdom, and the creation of peace mechanisms for solving military conflicts—appeared within the context of church reform after 1000. The progress in social organization and in war-control resulting from these reforms helped promote safety and security and also encouraged both agricultural productivity increases and a more equal distribution of agricultural yield. These agricultural developments were instrumental in stimulating agricultural and demographic expansion and in generating colonization on a European scale. The economic upsurge associated with these innovations gave the successors of the Carolingian *comites* an opportunity and means to reinforce political institutions in their region and to embark on policies of state-formation, either in collaboration with the regional lords or—as individual cases warranted—in opposition to them. In any event, counts, dukes, and local lords began building physical, legal, and institutional infrastructures to improve the efficiency of rural economic activities; the creation

of polders in the coastal area of northwestern Europe is a case in point with regard to public agricultural investments, but similar initiatives for improving agriculture can be observed everywhere, especially in Italy and in the Low Countries. Additionally, both regional and local public authorities were active in creating the physical and institutional conditions necessary for the foundation of towns, and, no less important, were building physical and institutional infrastructures within the towns to promote the growth of industry and commerce. Together these changes created a new material and institutional environment within which trade at local, regional, and interregional levels could flourish and expand.

The expansion of trade joined with accidents of geography to generate differences in regional economic successes and income, and gave idiosyncratic twists to regional specialization. Among the important factors were specific conditions of soil and climate, and physical proximity to trade routes. Special products from one region, for example, could be traded for products from others, with benefits accruing to both regions, while certain favorably located areas could enhance their economic power by acting as intermediaries in exchanges between regions. Crossroads such as the Low Countries, Champagne, northern Italy, Catalonia, and southwestern Germany were privileged in this respect.

Some of the essential goods that were being traded had to be produced industrially in order to meet expanding demand. Here an economic need—to mass-produce fabrics for far-flung export markets—stimulated product innovations, division of labor, innovations in technology, and industrial and commercial organization, all of which occurred in towns. Thus the expansion of trade, creation of new industries, and development of towns were all intrinsically connected in a complex cause-effect relationship. From one region to another, one factor may outweigh another, but for Europe as a whole, all three must be analyzed together.

In the southern Low Countries the key variable in the rise of the cities was the expansion of the woolen industry. Cities in that region were, in the first place, centers of cloth production, thus, by origin, industrial towns. Of course, trade was not absent. Sales were not monopolized by local drapers traveling abroad to sell their fabrics. Foreign merchants came to buy cloth on the spot, which they distributed all

over Europe, North Africa, and the Middle East. When traveling to the Low Countries these merchants brought goods with them for sale. Their activities were the seed for the growth of Bruges into an international market.

Northern Italian cities were, by origin, mainly trading centers, exchanging Middle and Far Eastern, North African, and other Mediterranean goods for fabrics from the European north. The key variable for the rise or expansion of the Italian cities at the beginning of the second millennium thus was trade. Later, several of these cities also became important industrial centers, and some of them started producing Asian silk and cotton textiles, or other Asian artifacts such as pottery and glass, instead of importing them from Asia (the so-called import-substitution strategy). Other cities adopted the same strategy, imitating in this case the production of northern woolen cloth. Once they had mastered the techniques well, these cities began exporting their own fabrics to far-flung markets also.

As we broaden the explanatory perspective, we can begin to see that the late medieval expansion of the economy was made possible by institutional developments not normally considered in strictly economic models: public investments in physical and institutional infrastructure and greater security all over Europe fostered, not only the geographical extension of agricultural colonization, but also the foundation of industrial and commercial towns, both large and small, as well as the growth of local, regional, and interregional trade on a European scale. Of course, the contributions of the merchants and merchant-entrepreneurs—John Hicks's *mercatores gloriosi*—should also be called to mind.⁴ The combined actions of both public authority and private initiative gave agricultural, industrial, and commercial expansion at that time its unique dynamism and promoted some areas to the status of core regions. Were these combined actions responsible for the difference of economic development and income between the core and non-core regions? Were they transferring and appropriating income from the periphery to the core, thus enlarging the gap between the two and impoverishing the periphery? Were the economic rents coming to the core normal windfall benefits or were they unjustified appropriations due to the abuse of economic power? It is difficult to give precise answers to these questions, but let us attempt it by further probing the late medieval European economy.

The Dynamic Role of Trade in the Process of Globalization

Maritime trade is generally treated as the primary determinant of commercial expansion and urbanization in the late Middle Ages. To a large extent geographical conditions determined the process. In northern Europe the locus of activity was concentrated in the delta of the Rhine, Meuse, and Scheldt rivers, which expanded into a network encompassing the North Sea and the Atlantic coast. The northern Italian coastal towns occupied the center of a second network, which not only embraced the coasts of the western and eastern Mediterranean and Black Sea, but also, on account of southern Asian caravan trails and Indian Ocean routes, integrated the Asian transcontinental and maritime trade into the European commercial complex.

The rise of important harbors in the two European maritime centers was doubtless a crucial factor in the process of advanced urbanization, but the appearance of industry was equally important. It allowed for sustained expansion in towns and cities over a period of centuries. In northern Italy, export-oriented industrial development occurred somewhat later than in Flanders, with the Italian commercial towns introducing import-substitution strategies, as we mentioned earlier.

Industrial production for exports implied the search for markets, and here we come face to face with a factor not always given its due: the expansion of trade over land and by river. The Flemish were the first to search systematically for distant markets. Already in the eleventh century they were traveling over land to northern Italy to sell their woolens in Genoa and Venice. Soon the fairs of Champagne grew up as places of exchange, allowing the Flemish and Italians to trade without actually traveling the long distances between the two regions. For two centuries the fairs of Champagne functioned as the heart of a pan-European trade, turning transcontinental trade over land and by river into a second determinant of commercial expansion. By these means, the network of commercial exchanges between northern and southern Europe was extended gradually in all directions across the continent, stimulated to a large extent by economic factors such as the revival of silver mining in central Europe, the need for increasing monetization of the European economy at that time, and the large-scale agricultural

colonization of western Europe especially at its northern, eastern, and Spanish borders.

The result of all these developments was the first great move toward economic globalization in medieval Europe. The prime mover of this globalization was, in my view, the growth of transcontinental trade over land and by river.⁵ Maritime trade, after all, was still primarily a coastal affair, a linking but hardly globalizing *économie du pourtour*. Transcontinental trade, on the contrary, was much larger in scope, encompassing the whole continent. Of course, most European towns, smaller commercial centers, and fairs were primarily loci of intra-regional exchanges, but through the growing transcontinental traffic over land and by river, they were all being integrated gradually into a grander network of European inter-regional or long-distance trade. The economic implications of this integration should not be underestimated. Let me mention just a few of them.

The founding and growth of trading and industrial centers all over the continent favored the transfer of low-productivity labor in the countryside to higher-productivity labor in the towns, generating new income and demand all over Europe. The overland routes transferred technical knowledge and ideas of social and economic emancipation from the core regions to the less advanced regions in the heart of the continent, promoting once again increases in efficiency and productivity. Moreover, trade over land stimulated the exploitation of resources that otherwise would have remained untapped, and it stimulated all over the continent the creation of new services, absorbing hidden unemployment, which in turn generated extra income and demand, in an upward spiral of mutual cause-effect relations. Globalization, therefore, seemed to benefit both the core and periphery, even if the difference in economic development favored the core.

The increased safety of traveling and the greater protection of property rights, the establishment of merchant guilds, *hansas*, and industrial crafts guilds, and the founding of fairs and markets, as of so many other infrastructural and institutional facilities throughout Europe, were all crucial factors in an “organizational progress” whose increasing returns led to a significant decrease in transport and transaction costs. In this context the widening and acceleration of the diffusion of information should also be emphasized because more and better information throughout Europe—but especially in the core

regions—was a decisive factor in facilitating differentiation and stimulating globalization. Markets and fairs did a good job of gathering extra-economic information at local and regional levels (the fairs of Champagne even gathering it at a European level), but in the core regions of the north and south all the information from the continent was joined with information from the maritime areas, making international arbitrage on goods and prices more efficient and more operational. It is no wonder that harbor cities, in particular Venice, Genoa, and Bruges, rose to prominence, becoming the urban motors of economic globalization on a European scale. By concentrating maritime and continental flows of European and even Asian information, these harbors acquired impressive comparative advantages, which, in turn, made for greater regional economic differentiation.

As we know, the move toward globalization at a European level did not last, but core-periphery relations survived, albeit in modified form. The expansion of the continental economy slowed in western Europe in the fourteenth century and half a century later in eastern Europe, and the continent entered a decades-long period of crisis and stagnation. Overland trade contracted, with many inland regions becoming increasingly isolated. Maritime trade, however, continued to flourish. Indeed, the maritime regions grew vigorously, expanding their maritime trade and related industrial activities. In northern Italy this era was the brilliant one of the Renaissance; in the southern Low Countries, the time of Burgundian splendor and prosperity. With these trends, the economic differentiation between core and periphery became more accentuated, a development due not to regional abuses of power but rather to peculiar economic circumstances.

The continuation of maritime expansion owed its success to several factors. From Asia, the route over the Indian Ocean, across the Red Sea, and down the Nile to Cairo and Alexandria offered potential for dramatic increases in Venetian trade during the fourteenth and fifteenth centuries. In northern Europe the organizational success of the German Hansa during the same period offered potential for commercial expansion outward to Bruges and London. Last but not least, the introduction and consolidation, also during the same period, of a “direct” maritime link between northern Italy and the southern Low Countries gave an extra boost to the economy of both regions, at the same time stimulating the maritime and economic activity in the harbors along the

Iberian and French Atlantic coasts. Thus, if the move toward globalization was weakened in the heart of the continent, in the maritime sphere it intensified. This divergent development during the fourteenth and fifteenth centuries generated a shift in the structure of core and periphery, widening the gap between the maritime core regions and the continental periphery on the one hand and narrowing the gap between the core regions and other maritime areas of Europe.

How can the divergence be explained? John Munro has rightly stressed the impact of warfare.⁶ From the end of the thirteenth to the middle of the fifteenth century, wars did indeed multiply, particularly on the continent. Although at first glance warfare seems an exogenous factor, a certain economic rationality underlies its effects. For instance, the increase in general income, which allowed for an aggrandizement of public power and greater spending, helped to intensify rivalries and conflicts in the political sphere. It also facilitated military investments that were linked with improvements in the quality of weapons. But warfare had other, more explicit, socio-economic effects. It increased transport and transaction costs, impeding long-distance trade in cheaper commodities. Munro has observed this phenomenon in the export of cheaper textiles from the Low Countries. Moreover, warfare favored the maritime economies. It was easier in maritime trade than in traffic over land and by river to adjust to conditions of war and its attendant risks. Sea voyages, for example, could be organized in convoys, guns could easily be installed on large, sea-going vessels, and navigation technique could continue to progress with marginal improvements leading to concrete and significant results. This was not the case with transport over land and by river.

Institutional factors might also be mentioned. In the previous centuries, as already indicated, the setting up of new socio-economic institutions generated organizational progress and enhanced overall efficiency, but the positive impact of institutions was not absolute: over time their dynamic effects were destroyed through sclerosis, inertia, and accumulating inefficiencies. Along the periphery of northern, eastern, and southeastern Europe, for example, the emancipation potential of the institutions introduced during the colonization period—that is, personal freedom and land for peasants—and the accompanying commercial expansion still proved too weak to resist the challenges of the general economic decline, even if the scarcity of labor at that moment

put the peasants, in theory, in a strong bargaining position. In eastern Europe, a gradual move toward a second serfdom was one consequence, as Ivan Berend has explained so well in the first chapter of his book *History Derailed*.⁷ In the western maritime regions, in contrast, even under conditions of an abundance of labor, continued economic expansion and demographic growth furthered the processes of social emancipation, economic restructuring, and real-wage increases within a context of positive institutional flexibility.

A new long-term upswing of the European economy as a whole began in the second half of the fifteenth century. Not only maritime trade but also transcontinental trade over land and by river expanded. The growth of maritime trade was due to the discovery of new sea routes, while the expansion of transcontinental trade was due mainly to the revival of the overland connection between northern Italy and the Low Countries and to the further growth of export industries. Trade in the easterly direction was newly contingent on the revival of silver and copper mining in central and southeastern Europe, on the re-establishment of a large number of regional fairs as well as the foundation and success of new ones, and on the expansion of industry and commerce in southwestern Germany. Trade in the westerly direction was largely determined by the economic recovery of France after the Hundred Years' War and by the growth of the fairs of Geneva, Lyon, and Castile, the last a result of Iberian colonial dynamism and of the political unification of Spain and the Low Countries.

Should the explorations and discoveries of the period be considered, as they normally are, as exogenous and decisive factors in the upswing at the start of the early modern era? I have my doubts. As a matter of fact, the upswing started well before the era of exploration and discovery and can be explained, in part, by the economic factors just mentioned. It should be emphasized, moreover, that organizational progress reinforced the dynamism substantially: the revival, founding, and multiplication of regional fairs all over Europe and the setting up of specialized firms for long-distance transport over land, for example, strengthened the rebuilding of a dense commercial network on the continent, while decreasing transport and transaction costs. To some extent the new organizational progress resulted from the reintroduction of earlier improvements, but it was also determined by a set of genuine innovations.

The further expansion of maritime trade can also be explained by economic factors, particularly the explorations and discoveries, which were motivated by the search for gold, spices, and overseas territories suitable for sugar planting. The further urbanization of the Low Countries—predicated on its maritime successes of previous centuries—stimulated Dutch navigation to northern Europe in searches for grain and timber. Portuguese competition led Venice during the sixteenth century to re-strategize its relations with the Middle East in an effort to recapture part of the spice trade. To be sure, the Dutch and English trading companies stemmed that revival when they took over the state monopolies of Spain and Portugal in the East and West Indies. Nevertheless, the organizational progress made in these regions was crucial, if not structurally new, as Niel Steengaard has shown.⁸

More concentration, intensification, and innovation in the sphere of information were also determining factors in the new dynamism of long-term economic growth at the beginning of early modern times. In the harbors of the core regions the flow of information from maritime and overland trade converged once more to enhance the potential for arbitrage on commodities and prices, but information gathering and exchange took place now on a much larger scale than in the previous upswing. Thus the potential for enlarging the transit trade and the trade of imports and exports in the core regions was increased substantially. When the Atlantic, Baltic, and North Sea routes became dominant during the sixteenth century and transcontinental trade became oriented increasingly toward the Low Countries, Antwerp emerged as a world market, receiving commercial and financial information from around the globe, albeit mostly in an indirect way from foreign merchants at the Antwerp Exchange. In the seventeenth century, Amsterdam took over this concentration of information from Antwerp, intensifying and rationalizing it still further thanks to the direct trade relations that Dutch companies and merchants enjoyed throughout the world.

If long-distance trade over land and by river was the prime mover in the dynamics of globalization during the first great wave of economic expansion, intercontinental maritime trade assumed that role during its second wave. In this context, I wish to emphasize the fact that the economic expansion of these maritime routes once again modified the structure of the European core and periphery, with important implications for the future economic development of Europe. The shift

of economic activity toward the North at the expense of the Mediterranean must be seen from this point of view. The decline of Italy, as a commercial broker for relations among the Middle East, North Africa, and Europe and as an industrial producer, is a consequence, not a cause, of the northward shift. The Italian commercial decline became even more dramatic when religious upheaval and war at the beginning of the seventeenth century sowed chaos in her traditional southern French and central European markets. Once more, transcontinental trade over land and by river went into a decades-long slump and then continued in stagnation under the influence of mercantilism, thus worsening the economic position of the peripheral regions in central, eastern, and southeastern Europe. Maritime trade, on the other hand—now globalizing and establishing direct world trade—flourished and expanded, creating important new, dynamic core regions in the North, particularly in the northern Low Countries and England, but also in the new sub-core regions of Scandinavia, northern France, and the Rhineland.

Conclusion

In discussing the second wave of European expansion, I did not emphasize the impact of socio-institutional factors on the economic changes in early modern times. Of course, they also played a significant role in the process. I have also chosen not to go forward into the eighteenth century, to examine the conditions that would eventually push the European economy into modernity. Such a discussion would lead me too far afield. Let me just conclude by saying that, in my view, the problems of globalization, core, and periphery during the late medieval and early modern eras cannot be fully understood unless the changing fortunes in the development of maritime trade and transcontinental trade over land and by river are both taken into account.

NOTES

- ¹ R. N. Cooper, "Monetary Systems and Central Bank Cooperation (Inter-war Period to Present)," paper presented at the Fourth Annual BIS Annual Conference on the theme "Past and Future of Central Bank Cooperation" (Basel, Switzerland, 28–29 June 2005).

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- ² Jan de Vries, "The Industrial Revolution and the Industrious Revolution," *Journal of Economic History* 54 (1994): 249–70.
- ³ Jan de Vries and Ad van der Woude, *The First Modern Economy: Success, Failure, and Perseverance of the Dutch Economy, 1500–1815* (Cambridge and New York: Cambridge University Press, 1997), 693–722.
- ⁴ John Hicks, *A Theory of Economic History* (Oxford: Oxford University Press, 1969), 25–41; Alexander Gerschenkron, "Mercator Gloriosus," *The Economic History Review*, 2nd series, XXIV, no. 4 (November 1971): 653–66.
- ⁵ See also Pál Zsigmond Pach, "Levantine Trade and Hungary in the Middle Ages (Theses, Controversies, Arguments)," *Studia Historica Academiae Scientiarum Hungaricae* 97 (Budapest: Akadémiai Kiadó, 1975), 5–24; Id., "The Shifting of International Trade Routes in the 15th–17th Centuries," *Acta Historica Academiae Scientiarum Hungaricae* (1968), 287–319.
- ⁶ John H. Munro, "'The Low Countries' Export Trade in Textiles with the Mediterranean Basin, 1200–1600: A Cost-Benefit Analysis of Comparative Advantages in Overland and Maritime Trade Routes," *International Journal of Maritime History* XI, no. 2 (December 1999): 1–30; Id., "The 'New Institutional Economics' and the Changing Fortunes of Fairs in Medieval and Early Modern Europe: The Textile Traders, Warfare and Transaction Costs," *Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte* 88, no. 1 (2001): 1–47.
- ⁷ Ivan T. Berend, *History Derailed: Central and Eastern Europe in the Long Nineteenth Century* (Berkeley and Los Angeles: University of California Press, 2003), 16–26.
- ⁸ Niel Steengaard, *The Asian Trade Revolution of the Seventeenth Century: The East India Companies and the Decline of the Caravan Trade* (Chicago: University of Chicago Press, 1974).

CHAPTER ELEVEN

The Pre-History of Core–Periphery¹

ROBERT BRENNER

What I want to consider in this paper is what might be called the pre-history of core–periphery. The problem of core–periphery relations proper concerns the way in which the economic relationships between more developed and less developed economies affect the prospects for growth of each. The underlying question, subject of a vast controversy, is whether, and if so how, the interaction between advanced and less advanced regions tends to consign the latter to underdevelopment, while accelerating the economic progress of the former. This essay is mainly devoted to a prior question—that of the sources of non-development and of economic development or self-sustaining growth in the first place—in the period up through the late eighteenth century, that is, before the industrial revolution in England transformed the world market. My argument is that only with a prior understanding of the conditions that made for non-development throughout most of world history, as well as of the conditions that, by contrast, made for self-sustaining growth, is it possible to consider the further issue of the way in which relations between developed and less developed economies affect one another's potential for growth.

I. Anti-Orientalists and Neo-Classicals

Recent years have witnessed the forging of a paradoxical alliance in economic history. On the one hand we have a newly emerging group of often left-leaning economic historians who, for lack of a better term, might be called *anti-orientalists*. They seek to provide a corrective to what they believe to be a vast underestimation of the economic development of the Third World, especially Asia, in the period up to 1800.

On the other hand, we have the generally more mainstream neo-classical economic historians, who have for the most part welcomed the newcomers' methods and results, for reasons that will soon become clear.

It is worth noting that, practically up to the present, the general trend among contemporary radical scholars of Third World experience—anti-orientalists prominently among them—has been to elaborate the *divergent* trajectories of different regions, nations, races, and genders; to emphasize and validate, if not celebrate, the *differences*, not the similarities, between east and west and north and south. In keeping with this goal, their method has tended to be strongly historicist, focused on constructing micro-histories and unique narratives to replace the “grand narratives” born of what they see as Eurocentric conceptions of a universal historical evolution. The latter, according to radical scholars, represent a mis-inheritance of the rationalistic, universalistic, scientistic Enlightenment.

In sharp contrast, the new anti-orientalist *economic* historians have rejected not only historicist motifs, but also the tradition of historical social theory in all its forms, Marxist, Weberian, and the rest. Empirically, they argue against difference and incommensurability and for the essential *similarity*, even *equality*, of economic trajectories in Europe and significant parts of Asia. Conceptually, they take as their point of departure the *trans-historical universalist* theory articulated by that rationalist Enlightenment thinker *par excellence*, Adam Smith. As everyone knows, Smith argued that economic behavior is an expression of individual rational self-interest working in concert with the inherent tendency of people to relate and communicate with one another, manifested in the “natural tendency to truck and barter.” Rational egoism drives individuals to exploit the gains from trade to the greatest possible extent, above all by specializing, doing what they do best in response to market opportunity. Specialization makes for ongoing economic growth, so long, of course, as economic agents are not prevented from giving full vent to their natural rational egoism by politically constituted barriers to free production and exchange.

As self-styled “neo-Smithians,” anti-orientalist economic historians of the new generation have brought enormous—and I think incontrovertible—evidence to bear regarding the impetuous growth of the market in the Third World. They have noted the widespread

predominance of a phenomenon they call “Smithian growth,” in key regions in Asia before 1800, which they see, following Smith, as resulting from the natural tendency of economic agents to specialize in the presence of opportunities to exchange. Indeed, Kenneth Pomeranz, whose book *The Great Divergence: China, Europe, and the Making of the Modern World*² is without doubt the decisive contribution of this school of historians, has gone so far as to argue that population growth by itself detonated impressive economic development in the Yangzi Delta through the eighteenth century, by creating growing demand and, in response to that demand, increasing exchange and specialization. Scholars like Pomeranz, Bin Wong, and the late Andre Gunder Frank contend that, as late as 1750–1800, the most developed parts of China, including the Yangzi Delta, were just as dynamic and advanced as the most developed parts of Europe, specifically England. It should not be surprising that many of today’s leading economic historians of Europe and the US have given their imprimatur to the propositions put forth by these anti-orientalists, for the methods and results of the latter could not be more in line with their own universalistic neo-classical perspectives. Neo-Smithian anti-orientalism, like neo-classical economics more generally, copes with difference and divergence only poorly and nurtures the expectation of convergence everywhere, so long as politico-institutional arrangements do not prevent the rational self-interested response to economic opportunities from bringing about specialization, accumulation, innovation, and exchange.

In any case, arguing for the equality of the East with the West as of 1800 poses a major conundrum for anti-orientalist economic historians: to account for the vast gap in labor productivity and per capita income, which no one doubts opened up *at some point* between Europe and parts of the US, on the one hand, and most of the rest of the world, including Asia, on the other; and which gaped ever wider over the course of the nineteenth century. If parts of Asia, no less than Europe, were experiencing Smithian growth for a long epoch, what accounts for their subsequent great divergence? Anti-orientalist economic historians resolve this difficulty by adopting one, or the other, or both, of two complementary propositions: 1) that the region that became the European core rushed ahead because it could appropriate wealth in various forms from the emerging periphery; 2) that the region that became the periphery fell behind, as a consequence of the negative impact of the emerging

core upon it, with plunder and various forms of unequal exchange being the major culprits. The Smithian character of these further assertions—the explanation of divergent outcomes in terms of factors essentially exogenous to the growth of the market—should be evident. The upshot is that, in the fully developed version of the anti-orientalist case, as in dependency theory more generally, we find a rather unexpected combination of conceptualizations. From the modernization theory of the 1950s and 1960, comes the point, derived ultimately from Smith, that growth of the market and technological advance will combine to guarantee development, so long as there is no interference coming from outside the accumulation process. From the critique of modernization theory by the dependency school comes the counterpoint that development in the core was not only a result of its relationship with the periphery, but also a cause of the latter's underdevelopment. The new anti-orientalists, like the *dependistas* themselves, *tend* to be, then, simultaneously modernization and dependency theorists.³

II. A Counter Position to Smithianism

In the remainder of this essay, I argue from a standpoint opposite in many respects to that of the Smithian anti-orientalist economic historians. My position can be schematically stated in the following four propositions, which I will attempt to vindicate conceptually and empirically in subsequent sections of this paper.

1. Since the origins of settled agriculture, far from being unusual as the neo-Smithian anti-orientalists imply, rather high levels of the growth of trade and towns have been quasi-universal. Commercialization and urbanization have been pervasive because, virtually everywhere, dominant classes have come to command the bulk of agricultural surpluses and have used these, for the most part, to elicit the production of military and luxury goods by artisan producers located in emerging cities. This they have accomplished by offering, in exchange for artisan-produced military and luxury goods, food and raw materials from the countryside, which they have coercively appropriated, in one way or another, from peasant agricultural producers. The ensuing town-country commerce and division of labor is, of course, made possible by merchant middlemen also resident in the towns.

2. Despite the fact that widespread opportunities to exchange were more or less general in societies that achieved sedentary agriculture, economic development, in the sense of the sustained growth of labor productivity leading to rising per capita output or income, was extremely rare before 1750 throughout the world. Economic development, historically and on a world scale, has thus been the great exception not the norm. Contrary to the expectations of the neo-Smithian anti-orientalists, opportunities to exchange did not, as a rule, lead to economic development before 1750 for the reason that, right up through the early modern period, most economies were structured by systems of *social-property relations* of a broadly defined standard *pre-capitalist* type, characterized at their core by peasants in possession of their means of subsistence and by dominant classes that, due to peasant possession, were obliged to resort to extra-economic coercion to take part of the peasants' product. These systems discouraged the growth of per capita income because, in their presence, economic agents found it sensible to adopt economic strategies—what I would call *rules for reproduction*—that, taken in the aggregate, not only ran counter to the requirements of economic growth, but, more often than not, made for *developmental patterns* in which population growth was accompanied by declining agricultural productivity and falling real wages along Malthusian-Ricardian lines, despite the rise of trade and towns.

3. Before 1750, even in most of Europe, nothing existed that could be called economic development, in the sense of the sustained growth of per capita income, because there was no break from the prevalence of systems of pre-capitalist social-property relations.

4. Only England and the northern Netherlands, both of which witnessed the onset of fully-fledged economic development, stand as exceptions. Symptomatically, in both of these cases, the breakthrough to self-sustaining growth had as its necessary condition a decisive break from the hitherto standard type of social-property relations; in other words the breakthrough occurred as a result, or an effect, of the transition from pre-capitalist to capitalist social-property relations. Development depended upon the separation of peasants from their full means of subsistence, on their loss of possession of the wherewithal to produce everything they needed to subsist, without having to rely on the market, and on their resulting subjection to the competitive constraint. It depended, as well, upon the collapse (or prevention from arising) of

the structures, centralized or de-centralized, through which the dominant class took part of the peasants' product by force. To avoid misunderstanding, it must be stressed that what was fundamental to this development was the rendering of the peasantry dependent on the market for their reproduction, which condition followed from their loss of the means of subsistence but did not require their separation from their full means of production. The key was, thus, the transformation of peasants into farmers (but not necessarily into proletarians, though an agricultural proletariat may have emerged at the same time or shortly thereafter, thereby further contributing to economic growth).

III. The Roots of Economic Non-Development

In order to see why self-sustaining growth was the rare exception rather than the rule, from the rise of settled agriculture through the eighteenth century, it is necessary to see why economic agents throughout this long epoch, far from pursuing the gains of trade in the way Adam Smith believed universal, made micro-economic decisions that taken together gave rise to macro-economic patterns marked by stagnation, or even involution. This means following the progression, so to speak, from pre-capitalist *social-property relations*, to pre-capitalist *rules for reproduction*, to pre-capitalist *developmental patterns* and forms of crisis.

Social Property Relations

Pre-capitalist social-property relations have, as a rule, exhibited two defining traits: 1) peasant possession of the means of subsistence: the land, tools, and labor power necessary to their reproduction; and 2) ruling class appropriation by extra-economic coercion of part of peasants' product. Peasants were able to gain *rights* to plots and their fruits by virtue of their membership in specifically peasant political communities organized to constitute and maintain those rights by carrying out several functions essentially political in nature: protecting them against outsiders (defense), resolving disputes among themselves (justice), and enforcing law and order (police). Peasant economic appropriation was thus fundamentally and inextricably political, that is, politically-constituted. Lords, meanwhile, also organized themselves into political

communities, which asserted and enforced their rights to take levies from their peasants (taxation), to defend themselves against and levy attacks upon other lordly communities (defense/warfare), and to secure their positions against one another (justice, police). Ruling class appropriation took place either in a decentralized fashion by relatively localized lordly groups, as in medieval European feudalism, or in a more centralized way, as in the tax/office states that supported the absolute monarchies of the early modern period. But, in all cases, lordly appropriation of part of the peasants' product necessarily involved coercion. This was so because mere ownership of land on the part of lords was insufficient to insure an income, since peasants possessed the means of subsistence and therefore did not have to work for lords as tenant farmers or wage laborers in order to survive.

Rules for Reproduction

Systems of pre-capitalist social property relations discouraged economic growth, even when trade and industry flourished, because the structure of these systems encouraged micro-economic choices that led ultimately to economic stagnation and decline. In its most minimalist form, this proposition comes down to the assertion that economies in which peasant possession of the means of subsistence predominated have found it impossible to generate economic development and this for the reason that the rules for reproduction that facilitated the realization of peasants' primary goals prevented the operation of the processes that make for self-sustaining growth. These negative effects on development were reinforced by the microeconomics of pre-capitalist ruling classes.

Produce for Subsistence. To the extent that they could, peasants diversified, producing everything necessary for survival and marketing only their surpluses. The salient implication is that they rejected the classical injunction to produce for exchange, choosing instead to produce for subsistence. Peasants might, and did, *involve* themselves in the market by selling their surpluses, but they would not intentionally allow themselves to become *dependent* upon the market by fully specializing.

Why would peasants have adopted such a course of action? A preliminary but crucial reason is that they could. Possession of the

means of subsistence shielded them from the market and the competitive constraint, exempting them from the need to buy essentials and thus to sell, and to sell competitively, in order to survive. Lower cost producers might deprive peasants of sales by taking their share of the market, but they could not put them out of business or threaten their survival.

Still, the question remains, why did peasants reject specialized production for exchange? They might not have *had* to adopt this rule for reproduction, but why didn't they view it as desirable? After all, as Adam Smith demonstrated, specializing is the only way to secure the full gains that trade makes possible, the only way to maximize returns for inputs, especially labor. The answer is that peasants *did* wish to secure the gains from trade, to the extent possible, *all else being equal*. The problem was that all else was not equal. Generally, choosing to specialize meant that peasants had to subject themselves to the competitive constraint. But doing what was necessary to be competitive was incompatible with doing what was necessary to secure more prized objectives. For peasants, specializing to secure the gains from trade thus meant having to trade off, or sacrifice, a series of goals that they valued even more highly than the maximization of exchange value, with the consequence that they chose diversification as their primary rule for reproduction.

Choose Safety First. Perhaps most important, diversification was the best policy for peasants given the relentless uncertainty of the harvest. If peasants specialized for the market and experienced a bad harvest, they would be caught in a scissors made more onerous by the fact that bad harvests often came in bunches, making for "crises of subsistence." They would have to pay higher prices for food, due to the reduced supply of food, and they would also receive lower prices for their own product, because increased food prices would affect their customers, leaving them less for discretionary expenditures. During bad harvests, peasants who specialized would thus face the threat of going out of business at a time when the problem of survival itself was most daunting. Since there was no welfare state or Chapter 11 for peasants, bankruptcy might mean starvation and death. Peasants could not afford to take such chances. They had to diversify, to choose *safety first*.

Have Large Families. By having large families, peasants sought to ensure that at least one son would survive to provide for them in illness

and old age and to continue the family line. But peasants could not adopt this rule for reproduction in a viable manner if they also chose to specialize, depend on the market, and subject themselves to the competitive constraint in order to secure the gains from trade. Children per se were not cost-effective, since they cost more for the family to support than they could bring in, at least for quite a number of years. In short, the need to provide social insurance by having large families required peasant productive units to forego specialization and competitiveness; that is, to sacrifice the gains of trade in favor of production for subsistence.

Subdivide Holdings. Peasants subdivided their *holdings* upon inheritance, hoping in this manner to guarantee that their sons would have the means necessary to support themselves, to continue the familial line, and to provide the aforementioned social insurance. But subdivision was anti-economic because it left peasants with plots that were ever smaller and less economically effective. Adopting it as a rule for reproduction would not have been viable in combination with specialization and the market dependence and subjection to the competitive constraint that specialization entailed. Like having many children, subdivision was therefore incompatible with the goal of securing gains from trade.

In sum, by shielding them from the competitive constraint, possession of the means of subsistence permitted peasants to take the necessary steps to maximize their utility by securing indispensable goals, even if they had, in the process, to eschew production for exchange and thus the gains from trade. Peasants' choices thus expressed no economic irrationality, *pace* Adam Smith, but instead represented the most sensible way for them to pursue their economic security—by minimizing the risks of death through starvation, maximizing access to social insurance, and offering their male children the necessities for their own economic and familial reproduction—and at the same time to provide for the future of the family line. Peasants did seek to secure some of the gains from trade by *involving* themselves in the market, specifically by selling their physical surpluses, but they also stopped short of fully specializing in order to avoid becoming *dependent upon* the market and thus subject to competition. The result was that towns and trade, and the opportunities they presented, could not and did not elicit from peasants a Smithian response.

Developmental Patterns

Since peasants behaved in a systematically non-Smithian manner, it could not be expected that their actions, taken together, would generate economic development. Quite the contrary. Over the long term, they gave rise to a specific, characteristically peasant, Malthusian-Ricardian trajectory, which prevailed in medieval and most of early modern Europe through the middle of the eighteenth century.

Population Growth. The proclivity among peasants for large families and for early marriage, supported by the practice of subdividing holdings, made for relatively high fertility in pre-capitalist economies. When conditions favoured survival of children, population consequently increased. Sometime in the eleventh century, population began increasing all across Europe, doubling before the end of the thirteenth century, and the pattern was repeated between the late fifteenth and the early seventeenth centuries.

Growth of Area of Cultivation. The only method by which the pre-capitalist economy could grow was by way of opening up new land for cultivation, and economic growth in pre-capitalist Europe may be understood, at base, in terms of the familiar race between the increase of population and the increase of the area under cultivation. Peasants sought, by way of the process known as “assarting,” to bring land that was formerly forest, pasture and waste under the plough fast enough to support their growing numbers. In a limited number of cases, they undertook as well full-scale processes of colonization—a notable example of which was the opening up of the peat lands of the northern Netherlands during the medieval period.

Declining Productivity of Labor. As population grew and peasants subdivided holdings while bringing ever more land under cultivation, peasant production deteriorated. Agriculture was perforce extended to land that was less fertile and/or more costly to bring under cultivation. Holdings got smaller, and the ratios between land and labor and capital and labor diminished. Because the man-land ratio steadily increased, yields (the land-output ratio) tended to grow. But increasing output per unit of land was secured by—or purchased at the cost of—declining output per unit of labor, that is, declining labor productivity. To make matters worse, as plots got smaller and the land brought

under cultivation less productive, peasants were obliged to transfer to arable cultivation non-arable land previously devoted to the support of animals, the key source of the manure required for arable production. But this action naturally undermined soil fertility, accelerating the decline of agricultural labor productivity that over-shadowed every aspect of pre-capitalist economic evolution.

Meanwhile, peasants' general approach to agriculture tended to preclude the improvements that could have countered declining output per person. It was not that peasants were resistant to technological change per se. For example, during the medieval period, European peasants introduced progressively larger and better ploughs. But peasants' commitment to production for subsistence as their fundamental rule for reproduction limited the degree to which they would undertake the specialization, without which, the powerful agricultural techniques later associated with the agricultural revolution—the combination of new commercial crops to feed animals and novel rotations—could not possibly have been implemented. Shielded from the competitive constraint, peasants were under no compulsion to invent new methods or adopt the best existing ones. Their introduction of agricultural improvements thus tended to take place as a once and for all occurrence, not an ongoing process, so they could not overcome the underlying tendency to declining productivity that resulted from population growth, the subdivision of holdings, and the occupation of poorer quality land.

The Ricardian Pattern of Relative Prices and the Growth of Poverty. Because agricultural labor productivity declined as population increased, the evolution of the pre-capitalist economy was marked by a distinctive evolution of relative prices that expressed its fundamental nature. As the number of persons grew, demand for food and for land to provide food naturally grew correspondingly. But, because output per person declined at the margin, demand exceeded supply, thereby tending to drive up the relative prices of both food and land. As food prices rose, discretionary income simultaneously declined, with the result that the growth of demand for non-necessities, notably manufactured goods, declined. But, since manufacturing avoided the declining productivity that gripped agriculture, manufacturing supply was sustained, with the consequence that the relative prices of manufactures fell. Meanwhile, because the potential labor force grew with

population, even as agriculture's productiveness decreased, real wages tended to fall, and declining real wages, in combination with decreases in the size of peasant plots, meant that the rate of poverty inexorably increased.

The Partial Commercialization of Peasant Agriculture and the Emergence of Proto-Industry. With the passage of time, the pressure of population on the land increased as a consequence of demographic growth and the ongoing subdivision of holdings, and peasants tended to find their plots becoming too small to provide for basic subsistence. The problem was made more imposing by the fact that, with land and technology held constant, the simple addition of labor in the production of wheat (by contrast, say, to rice) almost immediately ceased to yield any increase in output at all. In order to make ends meet, peasants thus tended to find themselves obliged to enter into production of commercial crops and/or domestic manufacturing. But this obviously represented the opposite of a Smithian specializing response, since the relative prices of commercial crops and manufactures were simultaneously falling with respect to wheat, and the gap was growing greater all the time. Had peasants been able to operate along Smithian lines, they would have turned increasingly to food grains. But, due to the insufficient size of their plots and the unresponsiveness of grain output to increases in labor input, they were obliged to do the opposite. As a consequence, in order to receive the same return as before, they ended up putting progressively more labor into manufacturing and/or commercial crops than they would have had to expend had they been able to continue to produce wheat. The paradoxical outcome was that, to the degree that peasants increased their commercialization and industrialization, they experienced what was in effect declining productivity of labor and declining living standards. In a sense, peasant commercialization represented an extension by other means of their basic rule for reproduction, that is, "produce for subsistence," and it only made worse the underlying economy-wide tendency to agricultural involution.

Malthusian Crisis. Given declining labor productivity, population growth faced unavoidable limits, tending to make for the chronic tendency towards Malthusian-type crises in pre-capitalist economies. All over Europe, in the late thirteenth and early fourteenth centuries, there was increasing evidence of overpopulation, along with a greater tendency to famine and disease, to later marriage and increased rates of

celibacy. Eventually these trends combined to trigger the letting up, or actual ceasing, of population growth. The Great Famine of 1316–1317 and the Black Plague of 1348–1349, brought the “up phase” of European non-development to a close, leading to the “down phase” of population drop-off and Malthusian adjustment, opening the way to the “general crisis of the fourteenth century.” The new, demographically-driven up phase that began in the mid-to-late fifteenth century would have the same denouement—a population ceiling reached sometime between 1575 and 1625, depending on location, leading to population drop-off and “the general crisis of the seventeenth century.”

So long as peasant possession prevailed, peasants’ rules for reproduction would make for a Malthusian-Ricardian pattern of non-development. How then does the rise of trade, towns, and industry fit within this basic picture? Was it possible for this fundamental phenomenon of the medieval and early modern European economy to lead the economy out of stagnation into economic development?

IV. Trade, Towns, and the Perpetuation of Non-Development

It is, of course, the basic assertion of today’s neo-Smithian historians that it was the rise of towns and associated opportunities to secure the gains from trade that overrode and put an end to the tendency to Malthusian-Ricardian non-development. This proposition must, however, confront a serious empirical objection deriving from the incontestable fact that trade, towns, and industry began to develop not long after settled agriculture and continually re-emerged, in the wake of periods of decline, over several millennia, across much of the globe. Why should we regard urban economy as an expression of economic modernization and a propeller of development, when it occurred so regularly throughout world history but was generally accompanied, not by increasing economic dynamism but Malthusian-Ricardian stagnation? It would be my argument that, *pace* the neo-Smithians, the growth of trade and towns was as much the expression of the prevalence of pre-capitalist social-property relations as was the Malthusian-Ricardian pattern of non-development itself. The rise of trade and towns was common historically, because it was a logical response to the needs—the demand—of dominant lordly classes. It was perpetually paralleled by

non-development because it was unable, by itself, to bring about the transcendence of pre-capitalist social-property relations and was therefore incapable of bringing about the break from pre-capitalist rules for reproduction that was the sine qua non of self-sustaining growth.

From Lordly Needs to the Rise of Trade and Industry

Because lords were typically obliged to secure their income by coercively appropriating part of the product of peasants who possessed the means of subsistence, they could not effectively pursue a Smithian strategy of specialization, accumulation, and innovation. In some economies of medieval and early modern Europe, lords actually had little land of their own; peasants were entirely in charge of agricultural production, and lords could maintain themselves as lords by taking by force some part of what the peasants produced. But, even when they possessed ample demesnes, lords were highly restricted in the extent to which they could pursue and improve agriculture. The peasants who worked demesne lands did so only under compulsion and consequently had little incentive to work hard or efficiently. Lords were, moreover, in no position to fire peasants for their failure to perform, because peasants had direct access to the means of subsistence by virtue of their possession of their own plots. Deprived of the threat of dismissal, perhaps the best disciplinary device yet discovered to motivate careful and intensive labor in class-divided societies, lords found the supervisory costs of securing satisfactory work too high to justify much agricultural investment or innovation.

Unable to make their land or their labor more productive by way of investment in better means of production, lords were left with two main channels to increase their income—gaining access to more inputs or transferring to themselves already existing income and wealth.

Expansion of Area of Settlement. Following the first strategy or rule for reproduction, lords increased the size of their estates and extended cultivation to newly acquired lands along already existing lines. This increase they accomplished either by bringing new land into cultivation (assarting) or, more grandly, by expanding into new regions (colonization). Medieval and early modern Europe was thus not only the site of dynamic lordly efforts at scratching out new arable land from forests and wastes, but also the scene of great movements of outward

expansion by settler-colonizers. Usually organized and led by lords, colonial movements, over time, vastly increased the geographical scope of the pre-capitalist economy, extending its borders to encompass the East Elbian lands of Germany and Poland, the Iberian Peninsula, and, ultimately, large swathes of the western hemisphere, especially Mexico and parts of Central and South America.

Political Accumulation. Following the second strategy, or rule for reproduction, lords increased their income by improving their ability to *coercively redistribute wealth from peasants or other lords*, so as to accomplish what I would call “political accumulation.” Rather than investing in more and better agricultural means of production, lords pursuing this strategy would devote their surpluses to enhancing their military and political potential by constructing stronger political communities (or states) better able to dominate and control the peasantry and to more effectively wage war. This they would accomplish by attracting more followers to their political community, by better equipping them with weapons, and by better enabling them to pursue a pattern of luxury consumption and, more generally, a form of life that would distinguish them as members of the elite.

Political accumulation, it must be stressed, was not so much a choice for lords as a necessity, imposed upon the majority of them by a socio-political system which was constituted by a multiplicity of separate, and potentially conflictive, lordly political communities. Inter-lordly competition was thus the pre-capitalist European analogue of inter-capitalist rivalry and, like capitalist competition, it functioned as a field of natural selection, impelling groups of lords to build up their military potential and weeding out groups that could not stand up to military pressure. The evolution of the pre-capitalist economy in Europe during the medieval and early modern periods was therefore characterized by the emergence, in every region and across the Continent as a whole, of ever larger and more powerful political communities or states. Speaking in the most schematic terms, Eastern Europe, beyond the Elbe, experienced a long-term transition from the highly decentralized, disorganized form of lordship that prevailed through most of the medieval period to a much more cohesive form of lordly rule, manifested in the emergence of national and provincial estates in the late medieval and early modern eras, classically in Poland and eastern Germany. In Western Europe, lordly political organization also underwent

a long-term strengthening, here in the form of the rise of the “absolutist” tax-office state, culminating in the later seventeenth century in the France of Louis XIV. Even though peasants across much of Europe succeeded in having their possession of their plots confirmed and strengthened, their success did not prevent lords who engaged in constructing ever stronger states from vastly increasing their capacity either to appropriate peasant surpluses or to redistribute income and wealth from other lords.

The activities by means of which lordly political accumulation was achieved were the main driving force for the growth of commerce and the rise of industrial towns in pre-capitalist Europe. To build ever more effective political communities or states so as to respond to intensifying inter-lordly politico-military competition, lords required ever more, and more sophisticated, weaponry and luxury goods (notably fine textiles), and to secure these commodities they entered into exchange with urban artisans and merchants. The growth of trade between town and country thus made possible the rise of a circuit of interdependent productions in which the manufactures of the towns, produced by urban craftsmen in response to the demand of the lords, were exchanged by way of town-based merchants for peasant-produced necessities (food) and raw materials, appropriated by the lords and demanded by the town population. From the tenth century through the eighteenth—first in northern Italy and inland Flanders, then in Brabant, and ultimately in the northern Netherlands and England—ever greater industrial and commercial cities emerged. In each case, the abilities of their industries to capture a preponderance of the demand for textiles and armaments emanating from the lordly class of Europe as a whole fuelled this urban flowering. In sum, towns, trade, and urban industry could hardly have been more integral to, or reproductive of, the functioning of the pre-capitalist economic system.

From Urbanization and Commercialization to Economy-Wide Stagnation

But the bottom line is that, despite the expectations of the neo-Smithians, this pattern of trade had little potential for promoting economic development, and in fact failed to do so. The growth of town population, and by extension, of town production and commerce, ultimately

depended upon the growth of peasant surpluses, which were strictly limited within this pre-capitalist system by the tendency to declining productivity in agriculture resulting from peasant rules for reproduction. As a consequence, town population as a proportion of total population was also structurally limited. During the whole of the medieval and early modern period in regions of Western Europe, the population of the towns as a proportion of the total population never exceeded 12–15 per cent of the total.

Nor could the stimulus of rising demand induce peasants to respond by seeking to maximize the gains from trade because, as has been argued, past a certain point, peasants' specialization, their ensuing dependence on the market, and the resulting subjection to the competitive constraint were incompatible with peasants' rules for reproduction. Lords, moreover, could not use peasant surpluses to enhance either the means of production or the means of subsistence of the direct agricultural producers. In fact, ensuring lordly existence required applying these surpluses to military and luxury expenditures, but these expenditures, like their counterparts today, leaked out of the productive system and were wasted in terms of enhancing the economy's productive powers. The system in which the expansion of lordly states and lordly consumption drove the expansion of urban industrial production as well the expansion of commerce and finance, was therefore, in the last analysis, parasitic on and undermining of its underlying agricultural base, thus exacerbating the tendency to Malthusian crisis.

V. The Reproduction of Non-Development and the Problem of Transformation

So long, then, as pre-capitalist social property relations prevailed, individual peasants and lords would choose rules for reproduction that brought about, in aggregate, the *combination* of Malthusian-Ricardian stagnation *and* the growth of trade, towns, and military and luxury manufacturing. There was, it must be emphasized, nothing at all irrational about these choices. They made complete sense, in view of the possibilities opened up and limits set by peasant possession and lordly take by extra economic coercion. To put it crudely, as long as pre-capitalist social-property relations continued to prevail, pre-capitalist

lords and peasants found that the best way to maximize their utility was not by way of a Smithian search for the gains of trade and capital accumulation, but by way of production for subsistence and political accumulation, as well as by the expansion of the area of settlement. Non-development and commercialization were therefore not only perfectly compatible but also actually complementary, both manifestations of the underlying pre-capitalist structure.

That which, in the end, rendered the combination of economic stagnation and commercialization nearly universal in agricultural societies for so long was the fact that neither lords nor peasants, either as individuals or as collectivities, had the capacity to transform pre-capitalist social-property relations, or any interest in so doing. Individual peasants and lords had little choice but to view possession of the means of subsistence and appropriation by extra-economic coercion, respectively, as unalterable givens, since they were maintained by the action of political communities; that is, collectivities beyond their direct control. Equally to the point, neither peasants nor lords, as organized in political communities, wished to take action that would transform the basic social-property structure. Lordly political groups sought to exert as strong a control as possible over peasants, with the least cost, so as to maximize their lordly take; that is, strengthen the pre-existing structure. Peasants, meanwhile, dreamed of eliminating lords and their exactions and controls, but never considered changing the basic rules of peasant possession. Had either group been able to achieve its ideal, the basic pre-capitalist economic system would only have been confirmed and strengthened, not eliminated. The real difficulty then is not so much to explain the perpetuation of structures and overall patterns, but to account for those few breakthroughs to self-sustaining growth that ultimately took place during the early modern period.

VI. Early Modern Economic Evolution: China in Light of Europe

Although it cannot be denied that the social economy of Europe underwent remarkable changes during the course of the medieval and early modern periods, it has been the burden of my argument that these alterations entailed an *evolution within* the same, continuing

pre-capitalist system, not a *transformation of, or transition from* the pre-capitalist system to a system of a qualitatively different sort, that is, capitalism. The political communities or pre-capitalist states, through which the lordly class organized itself politically, increased extraordinarily in size and complexity. So did the urban economies, with their merchant companies, artisan organizations, financial groups, and interrelated international networks that grew up in response to lordly demands. But these massive changes within European pre-capitalism took place within an unchanging underlying framework of peasant possession and lordly exactions by extra-economic coercion, with the consequence that lordly and peasant rules for reproduction persisted, and system-wide developmental patterns repeated themselves.

As far as I can see, nothing in the historical evidence or the economic historiography gainsays the conclusion of the great demographic historians of the last generation—M. M. Postan, Emmanuel Le Roy Ladurie, and Wilhelm Abel—that the European economy between 1000 and 1750 was characterized by two successive “grand agrarian cycles,” running from roughly 1000 to 1450 and 1450 to 1750, driven by the rise and fall of population, marked by the Ricardian pattern of changing relative prices, and limited by Malthusian ceilings. Almost everywhere in Europe from the late fifteenth through the mid-eighteenth century, agricultural labor productivity stagnates or declines and constrains the entire pattern of economic change (see Table 1).⁴ As a consequence of stagnating or declining productivity, population increases cause almost every region to experience declining real wages and terms of trade running in favour of agriculture and against industry (see Table 2).⁵ By the same token, despite the growth of lordly political communities/states and the parallel rise of lordly demand for military and luxury goods, the increase in the proportion of the population outside of agriculture in general, and in towns in particular, is strictly limited (see Tables 3 and 4).⁶ Finally, there is no breakthrough beyond the old population ceiling. The early modern pattern is, therefore, the same one that prevailed during the medieval epoch.

It would be my argument—though I can only begin to present it within this compass—that recent propositions concerning economic growth in China during the early modern period, especially its most advanced regions, need to be evaluated against the background of economic developments in most of Europe in the same period and in

Table 1. The Growth of Agricultural Productivity in Europe, 1500–1800
Output Per Worker, England in 1500=1.00

	ENG- LAND	NETHER- LANDS	BEL- GIUM	FRANCE	GER- MANY	SPAIN	AUS- TRIA
1500	1	1.07	1.39	0.83	0.74	0.89	0.91
1600	0.76	1.06	1.26	0.72	0.57	0.76	0.57
1700	1.15	1.24	1.2	0.74	0.54	0.87	0.74
1750	1.54	1.48	1.22	0.8	0.56	0.8	0.91
1800	1.43	1.44	1.11	0.83	0.67	0.7	0.81

Source: R. Allen, "Economic Structure and Agricultural Productivity in Europe, 1300–1800," *European Review of Economic History* no. 3 (2000).

terms of the general framework advanced in the present paper.⁷ Kenneth Pomeranz and the California School have contended that the economic dynamism of the Yangzi Delta in the seventeenth and eighteenth centuries equaled that of the *most advanced* regions of Europe in this era. My response, most crudely stated, is that, on the contrary, the economy of the Yangzi Delta was a *classic peasant economy*, which,

Table 2. EUROPEAN REAL WAGES Building Craftsman
(Nominal Wages in ounces of silver deflated by consumer price index)

	1550–99	1600–49	1650–99	1700–49	1750–99
London	9.6	9.4	10.7	11.4	11.4
Amsterdam	5.1	6.7	7.2	7.8	7
Antwerp	6.4	6.7	6	6.2	6
Paris	4.6	4.3	4.4	3.9	3.6
Augsburg	3.7	2.9	4.6	4	3.6
Vienna	4.5	4.5	4.5	4.2	3.4

Source: R. Allen, "Wages and Prices in Europe From the Middle Ages to the First World War" (August 1998). *Explorations in Economic History* 38, no. 4 (October 2001)

despite certain unique aspects, cannot be differentiated qualitatively from other pre-capitalist peasant economies of the same epoch; it was subject to the same limitations and indeed partook of the same Malthusian-Ricardian patterns. It could not, therefore, match the vitality of the most advanced regions of Europe, reflected above all in their rates of growth and levels of productivity, precisely because those regions—namely England and the Low Countries—had already experienced a transformation beyond pre-capitalist economies to capitalist social-property relations.

In Jiangnan, a geographical unit larger than but including the Yangzi Delta, peasants' possessed their land by virtue either of their full ownership or their ownership of topsoil rights, both of which forms of ownership were protected by the state. "Landlords," really a species of pre-capitalist lord, appropriated a fixed rent by extra-economic coercion with state backing. Peasants, enabled by their possession of the means of subsistence, chose goals that were in no way irrational but

Table 3. Distribution of the Population by Sector, 1500 and 1750

	URBAN		RURAL NON-AGRI- CULTURAL		TOTAL NON-AGRI- CULTURAL		AGRICUL- TURAL	
	1500	1750	1500	1750	1500	1750	1500	1750
ENGLAND	0.07	0.23	0.18	0.32	0.25	0.55	0.74	0.45
NETHS	0.3	0.36	0.14	0.22	0.17	0.58	0.56	0.44
BELGIUM	0.28	0.22	0.14	0.26	0.42	0.48	0.58	0.51
FRANCE	0.09	0.13	0.18	0.26	0.27	0.39	0.73	0.61
GERMANY	0.08	0.09	0.18	0.27	0.26	0.36	0.73	0.64
AUSTRIA/ HUNGARY	0.05	0.07	0.19	0.32	0.24	0.39	0.76	0.61
SPAIN	0.19	0.21	0.16	0.16	0.36	0.37	0.65	0.63
ITALY	0.22	0.23	0.16	0.19	0.38	0.42	0.62	0.58

Source: E. A. Wrigley, "Urban Growth and Agricultural Change: England and the Continent in the Early Modern Period," *Journal of Interdisciplinary History* 15 (Spring 1986).

Table 4.A. EUROPEAN URBANIZATION Relative Increase in Population by Sector, 1500–1750

	TOTAL	URBAN	RURAL NONAGRI- CULTURAL	AGRICUL- TURAL
ENGLAND	2.4	7.7	4.24	1.46
NETHERLANDS	2	2.46	3.07	1.48
BELGIUM	1.84	1.46	3.81	1.64
GERMANY	1.52	1.63	2.27	1.33
FRANCE	1.44	2.09	2.07	1.21
ITALY	1.55	1.58	1.85	1.47
SPAIN	1.28	1.49	1.3	1.22

Source: R. Allen, "Economic Structure and Agricultural Productivity in Europe, 1300–1800," *European Review of Economic History* no. 3 (2000).

that nevertheless prevented their maximizing the gains from or increasing returns to labor on their land. Like peasants in Europe, they sought to provide social security against ill health and old age, while perpetuating the family line, and, to accomplish these ends, they had large families and subdivided holdings, so long as conditions allowed. These

Table 4.B. Urbanization in England and the Continent. Percentage of total population in towns with 10,000 or more people

	1600	1700	1750	1800
ENGLAND	6.1	13.4	17.5	24
NORTH AND WEST EUROPE	9.2	12.8	12.1	10
minus ENGLAND				
EUROPE minus ENGLAND	8.1	9.2	9.4	9.5

Source: E. A. Wrigley, "Urban Growth and Agricultural Change: England and the Continent in the Early Modern Period," *Journal of Interdisciplinary History* 15 (Spring 1986).

actions gave rise to early marriage and low levels of celibacy, thus high numbers of children per woman.

Subdivision under the pressure of population growth had effects in Jiangnan similar to those in Europe. For one thing, plot size diminished. In 1700, the point at which population had returned to its 1600 level after the demographic downturn that accompanied the founding of the Qing dynasty, the size of the average family plot in Jiangnan was 1.75 acres; in 1800, 1.15 acres, and by 1850, only 1.04 acres.⁸ For another, subdivision meant declining capital for peasants, especially ever-fewer animals per unit of land. Peasants' families were thus obliged to apply their family labor force to plots of ever-decreasing size with decreasing capital: land-labor and capital-labor ratios systematically declined. In view of their declining resources per unit of labor, peasants had no choice but to intensify labor, meaning that they increased labor inputs per unit of capital and especially per unit of land.

Chinese peasants of Jiangnan had an important advantage over their counterparts in Europe, in that their main food crop was rice, which, by contrast with wheat, *did* allow, at least for a while, an increase in labor inputs to yield increased outputs. Over time, however, each unit of labor tended to produce ever-smaller amounts of product, and eventually a limit was reached beyond which the simple addition of labor to a unit of land failed to increase output at all. In these conditions, in order to continue fruitfully to add labor inputs to units of land, Jiangnan peasants had to adopt new crops and agricultural techniques capable of improving output per unit. Thus they applied ever more manure and fertilizer in the form of compost and canal sludge, introduced early-ripening rice, double-cropped in wheat, accepted new oilcake fertilizers, especially bean cake, and even turned to domestic industry to supplement agricultural incomes. At first, these processes of labor intensification were a great boon, allowing Chinese peasant agriculture to support ever-higher levels of population without significantly sacrificing living standards. In the longer term, however, the Chinese peasantry could not avoid declining labor productivity and declining incomes. Between 1600 and 1800, as Chris Isett has shown, using the same methods as Pomeranz, grain cultivation in Jiangnan saw a decline in output of about 11 per cent per person.⁹

An unmistakable expression of the declining productivity of labor over this period was that peasants were obliged to turn increasingly to

domestic industry to make ends meet, despite the fact that the return to their labor in manufacturing was lower—and decreasingly lower—than in agriculture. This decline in the terms of trade for manufacturing vis-à-vis food outputs expressed the same Malthusian-Ricardian dynamic operating in medieval and early modern Europe. Between 1750 and 1800, cotton-manufacturing earnings in terms of grain fell between 25 and 45 per cent, and by 1850 they had fallen by as much as 60 per cent.¹⁰ The implication is that peasants' increasing reliance upon domestic manufacture in Jiangnan in this period, as in medieval and early modern Europe, is quite incomprehensible in Smithian terms. Peasants did not turn to industry to secure higher returns. On the contrary, they "proto-industrialized" mainly because their ever smaller holdings could not sustain their consumption levels through what would have been the preferred, because most cost-effective, method—namely, increasing grain output.

Jiangnan peasants exported cotton cloth in exchange for grain to the later-developing peripheries in central, southwest, and northeast China, where peasants still had ample land to produce grain surpluses. But, ultimately, Jiangnan could not avoid experiencing what Pomeranz calls the "protoindustrial cul-de-sac," as the terms of trade moved ever increasingly against manufacturing with respect to agriculture, compelling peasants to do ever more manufacturing work to support their families. At the same time, of course, because of its inability to avoid declining output/income per person, the huge agricultural sector was unable to increase its ability to support people off the land. Thus, by the early nineteenth century, only 12–13 per cent of the population could be found in towns (2000 plus) and perhaps not more than 15 per cent outside of agriculture in total.¹¹ *Pace* Ken Pomeranz and the California School, the Yangzi Delta experienced a pattern of economic non-development quite analogous to that of other pre-capitalist peasant economies, of this period and earlier.

VII. From Capitalist Social-Property Relations to Self-Sustaining Growth: England and the Northern Netherlands

Within Europe during the late medieval and early modern epoch, only England and the Northern Netherlands experienced breakthrough to self-sustaining growth, because only they underwent a transformation

in the underlying system of social-property relations from pre-capitalist to capitalist forms.¹² In both places, in the wake of the collapse of lordship (always weak in the northern Netherlands) and on the ruins of the peasant economy, there emerged agricultures structured by capitalist social-property relations—specifically, agricultures run by yeomen farmers who had been separated from their means of subsistence and rendered dependent on the market, but who were no longer fettered by systems of exaction by extra-economic coercion. In the English case, to which I will here confine myself for practical reasons, the transformation entailed the rise of a class of commercial tenants on competitive leases.¹³ These tenant farmers had to be able to produce competitively to hold their position, and this situation led them to try to maximize their rate of return through cost cutting.

Their subjection to competitive constraints obliged English farmers to abandon peasant rules for reproduction in favor of new rules. First of all, subdivision disappeared, as the ever-smaller farms to which it gave rise were less productive, less competitive. But once this practice was abandoned, sons of farmers, no longer able to count on receiving a plot from their fathers, required more time to acquire the earning power needed to form a family. Thus marriages began taking place later and celibacy rates rose, leading to lower rates of fertility and slower population growth. Above all, English farmers, like capitalists in general, were obliged to specialize, accumulate capital, and adopt the latest innovations, if they wanted to maintain their competitiveness and stay in business.

The effects on the evolution of English agriculture were dramatic. Farms became ever larger, making possible the elimination of the disguised unemployment endemic to peasant agriculture, as well as the better allocation of labor across seasons and crops through the use of wagedworkers. By 1600, more than 80 per cent of all farms exceeded 45 acres and such farms covered more than 80 per cent of the surface, whereas, during the medieval period, the figures were roughly the opposite, with more than 80 per cent of all farms under 30 acres and such farms covering more than 80 per cent of the surface.¹⁴ With larger farms and capital resources much greater than those of their medieval predecessors, market-dependent farmers were freed from the systemic constraints against specialization that had limited their forbearers; consequently they could and did introduce new rotations that made

possible a symbiosis, rather than conflict, between arable and pastoral agriculture, which in turn made vastly greater use of animals in production for fertilizing the soil, as well as plowing, pulling, and the like. The outcome was an epoch-making reversal of the tendency to declining agricultural productivity, the introduction of a more or less permanent tendency towards increasing agricultural labor productivity.

Between 1600 and 1750, agricultural productivity doubled in England, whereas everywhere else on the Continent, aside from the Low Countries, it stagnated or even fell, and it was the sustained growth of agricultural productivity that made possible the transformation of the economy as a whole, the onset of self-sustaining growth (see Table 1).¹⁵ The growth of agricultural productivity opened the way for stable or declining relative food prices, reversing the trend that had prevailed earlier in England and continued to do so on most of the Continent.¹⁶ It also allowed for the support of an ever-larger portion of the population in non-agricultural activities, industry and services. Farmers' market dependence and the specialization that resulted required their purchase on the market of goods they had formerly produced domestically, making for an embryonic mass home market. Thanks to the growth of agricultural productivity, this market was steadily enlarged by the growth of discretionary expenditures made possible by the declining cost of food and, for an extended period, rising real wages (See Table 2).¹⁷ By 1750, more than half of the English population is to be found outside of agriculture, by contrast with 31 per cent in France (See Table 3).¹⁸ Perhaps the ultimate expression of the emergence of the new capitalist order is the transcendence of the Malthusian population ceiling and the onset of essentially unending demographic growth.

Part and parcel of this capitalist transformation was the appearance of a unique path of industrial development. The turn to manufacturing ceased to arise primarily as a peasant sideline, or to function as a method of rounding out the peasant consumption basket, irrespective of the rate of return it yielded. Capitalist arable production became ever more specialized, located in the regions with the best soils and separated entirely from industry. Concomitantly, industries developing under the new competitive constraint began to justify their growth in terms of their ability to provide a rate of return equal to or better than that available in other economic lines. As it was, industrial expansion in England accelerated from the beginning of the seventeenth century,

in response to growing domestic demand for non-food commodities, which generated a rising industrial rate of profit. This process characteristically took place in specialized industrial districts, which sloughed off their agricultural activities and quickly evolved into fast-growing towns. These towns encouraged the development of skilled workers, specialist toolmakers, and networks of immediately accessible producers of inputs and purchasers of outputs, while also offering access to a range of additional external economies, all non-existent in domestic manufacturing by peasants. The growth of English urban population between 1500 and 1750, in both absolute terms and relative to the rural population, occurred at a rate unmatched anywhere else in Europe during this epoch,¹⁹ with the result that by 1750 and 1800 unparalleled portions of the total population are to be found in English towns of 10,000 people or more (See Table 4, Parts A and B).²⁰ It is not too much to say that, just as the supersession of the peasantry was the key to the growth of agricultural productivity and agricultural revolution in England, so the separation of manufacturing from the peasantry was the indispensable foundation for dynamic industrial development, and ultimately the industrial revolution.

VIII. Conclusion

The theoretical conclusions and historical interpretations presented here provide, it seems to me, the point of departure required for considering the highly ramified problem of core-periphery, though not of course the analysis itself. The issue raised by the core-periphery conceptualization is that of the relationship between advanced and less advanced economies—whether and, if so, in what ways and to what degree economic development in one region takes place by causing underdevelopment in another and vice versa. This paper argues essentially that so long as pre-capitalist social-property relations have persisted, it is superfluous to adduce exogenous factors to explain the failure of development, just as in the absence of capitalist social-property relations, it makes no sense to view such factors as having the potential to detonate self-sustaining growth.²¹

The expropriation of goods by one pre-capitalist economy from another or the rise of trade between two pre-capitalist regions may

both increase the wealth of one at the expense of the other, but the issue of self-sustaining growth will not arise in either region unless and until a transition to capitalism has taken place. The opposite side of the coin is that the way in which one political economy *can* most decisively foreclose or open up the developmental chances of another is by bringing about, directly or indirectly, the installation and reproduction of non-capitalist or capitalist social-property relations. The Spanish could appropriate enormous riches from Aztec and Inca societies, vastly increasing their own wealth while destroying the sophisticated societies of the conquered and impoverishing if not wiping out their people. But they could not use that wealth to detonate a process of self-sustaining growth at home, or even cut short an ongoing process of decline, nor did they short circuit such a process in the Americas. Trade between Western and Eastern Europe in the early modern period probably enriched the urban economies of the former and depressed the towns and industries of the latter, but it could not transform the prospects of either for economic development, so long as pre-capitalist social-property relations prevailed. The imposition by English settlers of slavery on the West Indies precluded economic development and laid the basis in the long run for economic decline. The destruction by the Japanese and Guomindong of pre-capitalist relations in Taiwan probably was the necessary condition for self-sustaining growth on that island.

To return, desperately briefly, in conclusion, to the fate of the economy of the Yangzi Delta in the late eighteenth and nineteenth centuries: it is redundant to adduce an (exogenous) insufficiency of wood or coal as does Pomeranz—or the impact of western imperialism as a dependency theorist might—to explain why the economy failed to take off. In the presence of peasant possession and lordly take by extra-economic coercion, economic development had never—and could not have—taken hold in the first place. By the same token, self-sustaining growth in England is explained by the transition that took place there from feudal to capitalist social-property relations, so requires no reference to either coal or colonial resources. Access to the latter might well have sped up an already ongoing process of capitalist expansion, but, in the absence of agrarian capitalism, it could have no more brought economic development than did the transfer of the gold and silver of the Americas to Iberia.

NOTES

- ¹ I wish to thank Chris Isett and Tom Mertes for reading the text and offering valuable substantive and stylistic suggestions.
- ² Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World* (Princeton: Princeton University Press, 2000).
- ³ Gunder Frank would fit this category more or less completely. Pomeranz sees the breakthrough of the core, specifically of Great Britain, as resulting, along dependency theory lines, from its relationship with its American periphery, though it is not clear that he also thinks that the underdevelopment of the periphery, specifically of China/the Yangzi Delta, is attributable to its relationship with the core.
- ⁴ R. C. Allen, "Economic Structure and Agricultural Productivity in Europe, 1300–1800," *European Review of Economic History* 4, no. 1 (April 2000): 1–25.
- ⁵ R. C. Allen, "The Great Divergence in European Wages and Prices from the Middle Ages to the First World War," *Explorations in Economic History* 38, no. 4 (October 2001): 411–47.
- ⁶ E. A. Wrigley, "Urban Growth and Agricultural Change: England and the Continent in the Early Modern Period," *Journal of Interdisciplinary History* 15, no. 4 (Spring 1985): 683–728.
- ⁷ For a fuller account, see R. Brenner and C. Isett, "England's Divergence from the Yangzi Delta: Property Relations, Microeconomics, and Patterns of Development," *Journal of Asian Studies* 61, no. 2 (May 2002): 609–62.
- ⁸ Brenner and Isett, "England's Divergence from the Yangzi Delta," 620, Table 1.
- ⁹ This calculation is available from Chris Isett at the Department of History, University of Minnesota.
- ¹⁰ Pomeranz, *Great Divergence*, 290, 323–26; Brenner and Isett, "England's Divergence from the Yangzi Delta," 639–40.
- ¹¹ G. William Skinner, "Regional Urbanization in Nineteenth-Century China," in G. William Skinner, ed. *The City in Late Imperial China* (Stanford: Stanford University Press, 1977); Brenner and Isett, "England's Divergence from the Yangzi Delta," 628–34.
- ¹² The process by which this transformation cum transition took place is beyond the scope of this paper. For an attempt to explain it, see R. Brenner, "Agrarian Roots of European Capitalism," in T. H. Ashton and C. H. E. Philip, eds., *The Brenner Debate: Agrarian Class Structure and Economic Development in Pre-Industrial Europe* (Cambridge: Cambridge University Press, 1985), 213–327.
- ¹³ For a full account of the emergence of self-sustaining growth in the Dutch case along these lines, see R. Brenner, "The Low Countries in the Transition to Capitalism," in J. L. van Zanden and P. Hopenbrouwers, eds., *Peasants into Farmers? The Transformation of Rural Economy and Society in*

the Low Countries (Middle Ages–19th Century) In Light of the Brenner Debate (Brussels: Brepols, 2001), 275–338.

- ¹⁴ R. C. Allen, *Enclosure and the Yeoman: The Agricultural Development of the South Midlands, 1450–1850* (Oxford: The Clarendon Press, 1992), 62–63, 73.
- ¹⁵ Allen, “Economic Structure and Agricultural Productivity in Europe.”
- ¹⁶ D. C. Coleman, *The Economy of England 1450–1750* (Oxford: Oxford University Press, 1977), 100–103.
- ¹⁷ Allen, “The Great Divergence in European Wages and Prices.”
- ¹⁸ Wrigley, “Urban Growth and Agricultural Change.”
- ¹⁹ Allen, “Economic Structure and Agricultural Productivity in Europe.”
- ²⁰ Wrigley, “Urban Growth and Agricultural Change.”
- ²¹ In the *presence* of capitalist social-property relations in the periphery as well as the core, the potential of the core for cutting short economic development in the periphery is of course very great—merely by way of the impact of commercial competition, not to mention more direct forms of incursion. The issue thereby raised is that of the conditions preventing or making possible *late development*...and, for example, the role of state intervention and the installation of more organized forms of capitalism in facilitating it.

CHAPTER TWELVE

Globalization and Its Impact on Core–Periphery Relations: Characteristics of Globalization

IVAN T. BEREND

Globalization is probably the most often used term in social sciences nowadays. Yet historians debate among themselves about the novelty of the phenomenon. According to some, the European economy, even in antiquity, demonstrated global traits. Others date the onset from late medieval times when it becomes possible to speak of a kind of permanent impetus towards globalization, especially potent in the early modern era after the European discoveries and the establishment of colonial empires, and reinvigorated in the modern era with the development of rail technology, laissez-faire trade systems, and the international gold standard. There can be no doubt about it from this point of view: the world has been becoming more international for at least a millennium. Still, the last quarter of the twentieth century fostered such distinctive new trends and changes that many experts characterize it as a new chapter of history, the “age of globalization.” In my view they are correct. Despite the fact that economic interactions between various countries and continents—trade, capital investment, establishment of subsidiaries, production abroad, and financial transactions—all existed before the twentieth century, and indeed characterized capitalism from its beginnings; despite the additional fact that permanent quantitative increases, higher volumes of trade, and foreign investments occurred in the nineteenth and early twentieth centuries; still the dramatic quantitative increases in all facets of international economic exchange that occurred in the last quarter of the twentieth century appear to have thoroughly transformed the world economy. Today, we indeed live in a brave new economic world. What actually has happened?

Trade, spurred by international agreements, has developed by leaps and bounds as world leaders, reacting to the bitter legacy of two

world wars and the gloomy interwar era, have embraced the ideal of an open, interactive world economy. The first significant development occurred in 1948, the year the General Agreement on Tariffs and Trade (GATT) took effect. With its multilateral, non-discriminatory character, GATT played a positive role in ending interwar protectionism, economic warfare, and hostility. The next major development occurred in the last quarter of the twentieth century, as the Western great powers, intent on increasing their exports, launched major initiatives to gain access to closed markets: the Tokyo Round, concluded in 1979, and most importantly, the Uruguay Round, launched in 1986, led to the Punta del Este Declaration, which in turn paved the way for the foundation of the World Trade Organization (WTO) and the opening of a multitude of markets. In conjunction, sharply declining costs for transportation and communication made economic transactions cheaper and easier. The cost of a three-minute, London-to-New York telephone call decreased from \$53 in 1950 to \$0.90 in 2000, while the cost of an air-transport passenger-mile dropped from \$0.30 in 1950 to \$0.11 in 1990. Exports responded to all these changes by soaring. In 1950 they amounted to 9 percent of the Western GDP; in the 1990s, 30 percent. In Western Europe this share actually reached 36 percent of the GDP, twice the world average. The dollar value, which equaled \$0.3 trillion in 1950, reached \$1.7 trillion by 1973 and jumped to \$5.8 trillion by 2000, an increase of 350 percent in twenty-seven years.¹

Direct foreign investment (FDI), a phenomenon well known since the second half of the nineteenth century, also has increased to an unparalleled extent. Foreign investment, which amounted to \$107 billion per annum in 1980, more than doubled over the next fifteen years, growing four times faster than foreign trade, and eventually reaching 6 percent of domestic capital accumulation, three times more than in 1970.

Globalization has increased *foreign exchange transactions* dramatically. International bank loans, closely connected to economic activities, amounted to only 0.7 percent of world output in 1970 but surpassed 16 percent by the early 1990s.² Cross-border transactions of bonds and equities exhibited an even more striking phenomenon. In 1980, they represented 10 percent of the aggregate GDP of the most advanced G-7 countries but 140 percent fifteen years later. More than 200,000 currency traders operate across the world today, and

transactions have reached unparalleled proportions, having grown from \$15 billion a day in 1973, to \$1.3 trillion daily by 1995, an amount more than fifty times the total value of world trade: "The global financial tail," notes Philip Cerny, is "increasingly wagging the 'real economy' dog."³ International financial markets, which cause trillions of dollars to flow in and out of various countries, undermining currencies as they flow, have little to do with productive activity and are, therefore, changing the face of the world economy. Of foreign-exchange transactions, less than one-fifth supports international trade and investment, while more than four-fifths involves speculation, as has been clearly evidenced by recent currency collapses and regional crises. To sum it all up, our new economic system has *more* of everything—more international trade, more international investment, and more financial transactions.⁴

Today's globalization, however, has brought innovations even more fundamental than these quantitative developments. These innovations have radically altered the structure and functioning of the world economic system. Indeed, it can be argued that before they appeared and attained dominance, authentic globalization did not exist. What are these innovations?

First of all, the *multinational company* with its networks spread throughout the world. Economic flows in the globalized world system are now determined by the actions of such organizations. They appeared first in the late nineteenth century but only attained their prominence in the world economy in the last quarter of the twentieth century. Their emerging dominance was closely connected with developments in technology and management. It was also facilitated in part by practices such as economies-of-scale and the movement of resources from less to more productive uses, both of which decreased the costs of production and transportation. According to Al Chandler these changes constitute a genuine company development trend.⁵ In 1973, approximately 7,000 multinationals operated in the world. At the end of the twentieth century, there were 44,000, with nearly 300,000 subsidiaries. Today, these "global" companies produce one-quarter to one-third of the world's industrial output. The five hundred largest multinationals control about 80 percent of all foreign production; the one hundred largest in turn control roughly 20 percent of total foreign assets, employ six million people, and account for nearly one-third of total

multinational sales.⁶ A 1998 publication reported that “today, most of the forty million or so vehicles that roll off production lines each year [throughout the world] are made by just 10 global corporations.”⁷ By the mid 1990s, multinationals monopolized 40 percent of world trade and 75 percent of the world’s manufactured goods trade.

The creation of *international production and distribution networks*, operating beyond the control of any single nation or empire, has been indispensable to the establishment of a globalized economy.⁸ The new transnational networks have altered patterns of exchange and production organization throughout the world. No longer does the European core send industrial goods to the three zones outside its boundaries (the European settlements overseas, the northern, southern, and eastern peripheries of Europe, and the Third World), receiving primary goods in return.⁹ Instead, advanced countries outsource labor-intensive, mostly low-value-added production to less developed countries. The latter act as subcontractors or provide cheap labor for labor-intensive parts-manufacturing and components-assembly tasks, both forms of economic activity at the bottom of the industrial division of labor. Additionally, global production networks now rely on cooperation between equally highly developed countries with complementary specializations, such that key components and end products are produced in a number of countries. Economic interactions thus have increased and changed the traditional international division of labor. Multinationals have subsidiaries in highly sophisticated branches in other *advanced* countries. Specialization within industries, rather than between them, is the rule. Statistics reveal the changes clearly. Intra-industry trade’s share began increasing steeply from the 1970s. As one of the OECD reviews reported in the late 1980s, during the previous twenty years, intra-industry trade increased from 44 to 66 percent of total industrial trade in Germany and from 46 to 76 percent in Britain. Both in France and Belgium this share reached three-quarters of total trade.¹⁰ The maintenance of global economic relations has thus moved from being peripheral for advanced economies to being essential.¹¹

But the presence of these huge international networks was not, in and of itself, an indicator of a globalized economy. A few examples illustrate the point. Intra-European trade covered the needs of Europe until World War One.¹² The Chinese economy of the nineteenth century was barely penetrated by Western influence, with most production

consumed domestically, and Japan was closed until the Meiji Revolution in the last third of that century.¹³ Indeed, until the later twentieth century, the entire Third World played only a complementary role in the world economy. John Zysman and Michael Borrus speak of a British international era and an American multinational era, but they maintain that the world economy did not become truly global until *the emergence of the Asian challenge* (with its first, second, and third development tiers).¹⁴ The result of the Asian achievement is the present world economy with its three enormous regional groups, North America, Europe, and Asia, whose vast networks compete globally and together constitute about 75 percent of the world economy.¹⁵

Along with the aforementioned innovations have come *changes in the typical pre-globalization investment structure*. Funds have been shifted away from developing countries and from agricultural- or raw-material-producing areas towards highly developed nations. The geographical destination of German FDI is very characteristic: in 1961 around 46 percent of German investment abroad was channeled to developing or less developed countries. By 1990, less than 20 percent went to these areas. In 1990, only 2 percent of German FDI was channeled into mining industries, while nearly 40 percent was going to trade, banking, and insurance, and another one-third to chemical, electrical, machine building, and automobile industries. In 1961, only 14 percent of German investments went to other European Community countries; by 1990, already 41 percent. Now, three-quarters of the stock of the world's FDI is located in advanced countries, a striking new phenomenon!

Domestic industrial structures in Europe and the U.S. also have been modified significantly. In Great Britain, the chemical, paper, and car industries all have been modernized by multinationals, which today produce nearly one-third of the British industrial output. The same is true for the Netherlands. In rapidly developing Ireland, the numbers are even more striking, with 70 percent of exports being produced by multinationals. American subsidiaries in Europe produce one-third of European imports from the United States, and European subsidiaries in the U.S. are responsible for 38 percent of American imports from Europe.¹⁶

Several changes have arisen as a consequence of the *new type of division of labor*. Trade between West European nations grew from

only 30 percent in 1958 to nearly 60 percent in 1989.¹⁷ Traditional economic connections between the advanced core and the less developed peripheries have been fundamentally altered. Instead of investing in raw material extraction in the peripheries, the core countries have relocated certain labor-intensive and highly polluting industrial branches to these areas, to take advantage of cheaper labor costs and less restrictive environmental regulations. Dutch multinationals, for example, now employ three-quarters of their labor force abroad.¹⁸ As a consequence of this phenomenon, a strong trend of deindustrialization has been observed in the most advanced countries. The percentage of the labor force employed in manufacturing sharply declined between the mid-1960s and mid-1990s, in Britain, the Netherlands, Italy, and Sweden, from 40–48 percent to 16–20 percent. The top science- and knowledge-intensive-processing branches, among them fine processed chemicals, pharmaceuticals, top level engineering, and sophisticated leather ware, have remained in the core, while basic heavy chemicals, iron, and steel have been relocated to peripheral countries. The pattern is even starker with respect to the research and development sector (R&D), which is highly and overwhelmingly concentrated in the hands of multinationals and the real engine of economic development. Between 1980 and 1995, employment in this sector increased by 34 percent. Western Europe in the mid-1990s employed 1.6 million people in the R&D field. Multinationals in 2000 accounted for roughly three-quarters of R&D expenditures for the entire advanced (OECD) world, thus they are the prime movers and monopolists of new technology.

Globalization and the Conservative Revolution

Late twentieth-century globalization unquestionably represented a new era, which, at least since the 1970s, has been accompanied by significant changes in non-economic realms. Perry Anderson has called these changes a *conservative revolution*, noting that globalization has proceeded hand in hand with the emergence of neo-liberal economics, laissez-faire individualism, and postmodern cultural nihilism. In connection with the last, Jürgen Kocka has spoken about an irrational, anti-Enlightenment intellectual trend in historiography. The once strong belief in the possibility of understanding the world, history, and

human action in order to shape historical trends and pave the way toward progress—a dominant *Zeitgeist* since the Enlightenment—has disappeared.

Was this conservative revolution an integral part of globalized free trade and capital flow? My answer to this question is at once “Yes” and “No.” Modern international economic interactions have indeed revitalized laissez-faire ideology. Yet this path was not necessarily the only option available to policy-makers and politicians. The modernized globalized economy might also have been nurtured through Keynesian control and regulation, with controls strictly limited to the economic arena. The latter path, however, was rejected. Instead, globalization has globalized a new ideology that George Soros calls “market fundamentalism.”¹⁹ The prophets of this new *Zeitgeist*, Friedrich Hayek, Milton Friedman, and other members of the neo-liberal school, in the mid-1970s, launched an ideological war advocating deregulation, privatization, and free market as the only solutions in cutthroat global competition in a free society.

In Hayek’s argumentation, freedom of the individual and freedom of the market are inseparable, and mutually prerequisite. As an uncompromising opponent of Keynes already in the 1930s, Hayek predicted that Keynesian price and wage control policy would lead to growing unemployment and, rather than stabilizing the economy, create more extreme fluctuations. He was wrong during the ’30s and continued to be wrong until the end of the ’60s. His view that state interventionism is “the road to serfdom,” as the title of his 1944 book proclaimed, also has been wrong for quite some time. Very few people have accepted that government exists, as Hayek argued, only to protect individual freedom and the free competitive market. When he published *The Constitution of Liberty* in 1960, he seemed to be the “last Mohican” of outdated, classical economic liberalism. Yet, by the 1970s, Friedrich Hayek had again become one of the most fashionable and influential economists and political thinkers.²⁰ A 1974 Nobel Prize award confirmed his rediscovery and renown.

Milton Friedman’s *Capitalism and Freedom* (1962) became a cornerstone of this ideology, attacking state intervention as the real cause of economic troubles, because, it is claimed, it disturbs market automatism and undermines freedom. Friedman characterized the New Deal policy of the 1930s and the American road “that has been going on for the

past forty or fifty years, [as a road that leads] away from a free society [...].” In his address at Pepperdine University in 1977, he remarked that “today, total government spending at all levels amounts to 40 percent of the national income [...] federal government spending has moved in less than fifty years from 3 to over 25 percent—total government spending from 10 to 40 percent [...] The question is, will we keep trying to continue on this path until we [have] lost our freedom and turned our lives over to an all-powerful government in Washington, or will we stop?”

According to Friedman, privatization of various governmental functions lowers costs and increases efficiency. Moreover, the self-regulated market is the real source of human welfare because the market is able to provide healthcare, pensions, and various kinds of insurance. His “monetarist counter-revolution” accepts only one kind of regulation, by central banks, on the assumption that a slower growth in the amount of money in circulation relative to the growth of the real value of output increases the value of money and guarantees the undisturbed operation of the market.²¹ Friedman’s Nobel award in 1976 crowned the victory of monetarism over Keynesian economics.

Market fundamentalism has been preached in an extremely effective and easily understandable way to influence politics and public opinion. Friedman, himself, as the economic adviser to President Nixon, and to Pinochet in the 1970s, contributed significantly to changing political trends. His *Free to Choose* television program shaped the thinking of millions. His oversimplified comparison of Communist China to Hong Kong concluded that differences in income and way of life between the traditionally backward country of one billion inhabitants and the city-state, the latter of which, partly for unacknowledged political reasons, attracted huge outside investments, were a consequence of the different models they had chosen. In a similar way he maintained that Britain was stagnating because of its welfare system, conveniently “forgetting” about the flourishing German, Italian, and Swedish welfare economies.

Friedman attacked social solidarity and advocated laissez-faire individualism, maintaining that welfare institutions are a brutal affront to personal freedom, akin to “sending a policeman to take the money from somebody’s pocket.” In their place he recommended a radical tax cut (“I think, a flat rate of around 16 percent”); reducing government expenditure drastically by privatizing nearly everything; and making

families and individuals responsible for their schooling, health care, and pensions. The best way to provide for social needs, he suggested, is to introduce a voucher system for health care, pensions, and education, creating "a free, competitive, private-market educational system [...] If you have a people committed to getting back to a free society it seems to me that is one of the great virtues of using vouchers." Full employment policy is also a mistake, Friedman argued in his Nobel lecture in 1976: "a dynamic, highly progressive economy, which offers ever changing opportunities [...] may have a high natural rate of unemployment."²²

Neo-liberal theory provided prescriptions and programs as a uniform and universal model, in a highly ideological form and with an almost religious fervor. Globalization marched hand in hand with this new *Zeitgeist*. This ideology certainly helped pave the way for the uncontrolled international activities of multinationals and financial capital. As George Soros puts it, neo-liberal policy "has put financial capital into the driver's seat."²³ Neo-liberal market fundamentalism is linked with the era of globalization just as Smithian liberal economics belonged to the emerging free trade system in the nineteenth century.

What has made this old-new ideology so successful? The answer lies in part in the failure of Keynesian economics, which, despite forty years of success, ceased to be effective in the 1970s. Rather than generating additional demand, Keynesian state interventionist measures pushed prices upward and contributed to the new phenomenon of *stagflation*, the odd coupling of stagnation with inflation. And the reason for this failure? Most probably, strong inflationary pressure brought about by external, non-economic factors. First, at the end of the 1960s, political turmoil throughout Europe led to strong wage increases, which were offset by price increases, creating a wage-price spiral that drove inflation upward. In 1973, and then again in 1979, major politically initiated oil crises led to a ten-fold increase in the price of oil. Control over inflation was lost exactly at the onset of a recession, and, after a quarter-of-a-century of high prosperity, a Kondratiev downward cycle phase began. Nothing similar to this set of contingencies had ever happened in history. Earlier recessions had been accompanied by price decline and the Keynesian demand-side cure had worked. It was not the case in this new situation. After forty years of being wrong, Hayek became right.

Another reason for the success of the neo-liberal ideology might be that the advanced and rich core countries, especially the United States, which had turned to *laissez-faire*, adjusted relatively quickly and successfully to the new technological and structural requirements of the communication revolution, and were able to cope with the structural crisis of the 1970s and '80s. The poor, less developed, strongly state-commanded, peripheral economies from India to Latin America, and especially the state-owned and centrally planned Eastern European economies, could not find answers to the new technological-economic challenges, and they slid into an ever-deepening crisis. Their failure was interpreted as a consequence of regulative, anti-market policy and thus as *regime* specific, rather than as an outcome of limited peripheral abilities for technological and structural adjustment, thus *region* specific.

And last, it helped the success that the medicine offered by neo-liberalism was not a bitter one for certain middle-class groups. It was easy and even attractive for them to believe that they could best serve national and social interests by acting according to their own business interests. "The most dramatic change occurred in the 1980s," declared Joseph E. Stiglitz, former chief economist of the World Bank and a more recent Nobel laureate, in 2002. The G-7 countries and other leading economic powers of the world, and the international monetary institutions they created and financed, most of all the International Monetary Fund (IMF), also championed—using his words again—"market supremacy with ideological fervor."²⁴ Reaganomics was an ideologically based commitment against "big government" and "tax and spend" policy, favoring instead drastic tax cuts and the withdrawal of the state by contracting out and privatizing key public services. In Britain, several services previously covered by the Ministry of Defence and the National Health Service (with 2,000 hospitals) were also contracted out after Margaret Thatcher's May 1979 electoral victory. Previously nationalized firms were re-privatized soon after. Market fundamentalism spread like wildfire. It became a leading view and policy in the United States and Britain, and a political guideline for the international monetary organizations, thus having a major impact on all countries. Germany, Italy, and, from the mid-1980s, France, and post-Franco Spain joined the rush.

The international monetary system of Bretton Woods, created after the Second World War in response to lessons learned from previous

economic instabilities and wars, and based on strict control of capital movements, collapsed along with all of its regulations. The goal of Bretton Woods, as American Treasury Secretary Henry Morgenthau declared in biblical terms, was to “drive the usurious moneylenders from the temple of international finance.”²⁵ With the collapse of Bretton Woods, moneylenders quickly reoccupied the temple.

The road to deregulation was opened in 1971 by President Nixon who, following the advice of Milton Friedman, closed the fixed-exchange-rate era of Bretton Woods and introduced the floating exchange rate for the dollar. Furthermore, in 1974 the American administration abolished its own capital controls and pushed other countries to follow. Britain did the same in 1979 by eliminating its forty-year-old capital control system. The New York Stock Exchange and the London Stock Exchange were both deregulated, in 1975 and 1986, respectively. Once the Reagan and Thatcher governments had finished the job of tearing down, a “competitive deregulation race” began: first Australia, New Zealand, France, and Germany and then, by 1988, nearly the entire European Community abolished capital controls, with the Mediterranean and Scandinavian countries following soon thereafter.²⁶

What Are the Consequences of Globalization for the Peripheries?

Before turning to the facts, it is useful to summarize the dominant views and concepts. Globalization enthusiasts and neo-liberal ideologues, generalizing David Ricardo’s theory in the broadest possible way, argue that everybody is profiting from globalization: Ken’ichi Ohmae, for example, stresses that in the age of the new technological-communication revolution “the nation state has become an unnatural, even dysfunctional, unit for organizing human activity and managing economic endeavor in a borderless world. It represents no genuine, shared community of economic interests; it defines no meaningful flows of economic activity.”²⁷ Mark Zacher speaks about “the declining pillars of the Westphalian temple in which the [...] world [has] politically worshiped for over three centuries.” He notes that the Treaty of Westphalia (1648) “recognized the state as the supreme or sovereign

power within its boundaries [...] [nowadays] the world is in the process of a fundamental transformation from a system of highly autonomous states to one where states are increasingly enmeshed in a network of interdependencies.”²⁸ In the globalized system, supporters argue, the social and political trends of the more advanced countries will also be globalized: social convergence will take place, a global civil society will rise, (Richard Falk), global democratization will follow (Larry Diamond, Juan Linz, Seymour Lipset, and Dankwart Rustow), and geography will end (Richard O’Brien). Free movement of capital and goods will produce a much more efficient allocation of resources and more efficient production and distribution of goods and services. Capital will be invested where it is most profitable and thus will flow into low-wage, developing countries. Former categories like “Third World,” and “core and periphery” become meaningless. James Mittelman paints a rosy picture: “as chains of commodity production and exchange operate above, below, and across national and regional boundaries, generating their own time-compressed spatial relations,” inequalities are diminishing. All strongly and unilaterally stress the assumed overall positive impact of globalization.²⁹

Among the criticisms of globalization, I am not going to discuss nationalist and extreme conservative positions that speak about globalization as “betrayal” and “treason” of the national cause, as a “death of the nation state,” or as “embryonic institutions of world government” where “faceless foreign bureaucrats” will decide on national issues. Nor am I going to detail the arguments of right-wing nationalists who speak about an international conspiracy of bankers and financiers, or even about American-Jewish conspiracy.³⁰

I am also avoiding discussion of some well-based warnings on general dangers. George Soros, one of the main beneficiaries of deregulated financial markets, for example, argues that individual states are unable to “resist the power of global financial markets and there are practically no institutions for rule making on an international scale. Collective decision-making mechanisms for the global economy simply do not exist [...] financial markets are inherently unstable [...] To put the matter simply, market forces, if they are given complete authority [...] produces chaos and could ultimately lead to the downfall of the global capitalist system.”³¹ Robert W. Cox expresses the same view: “Global finance has achieved a virtually unregulated and electronically

connected twenty-four-hour-a-day network [...] Global finance has the upper hand because of its power over credit creation [...] Even the combined governments of the Group of Seven (G-7), have not been able to devise any effectively secure scheme of regulation [...] There is [...] governance without government.”³²

Instead, I will finish by discussing the views of historians and scholars who provide more nuanced assessments of the effects of globalization on relations between core and periphery. Where globalization enthusiasts paint a rosy picture flattening out the differences between core and periphery, others see a more complicated portrait, full of shadows. A. Hurrell and N. Woods, for example, assert that “inequality among states matters [...] Simply put, globalization affects regions of the world in different ways [...] For less powerful states in a region [...] globalization is a process, which is happening to them and to which they must respond [...] They have little choice but to accept the rules.”³³ “When two economies, at different levels of development are brought together,” adds Shahid Alam, “the natural operation of market forces tends to widen their initial inequalities [...] The polarization created by trade is deepened by factor [capital and labor] movements. Attracted by higher returns, the lagging country also loses its capital and skilled labor to the advanced country.”³⁴

At this point, let us confront the concepts with the facts. In the critical period of the last quarter of the twentieth century, polarization characterized the world economy more than ever before. Between 1973 and 1998, per capita GDP increased in the advanced West by an annual rate of roughly 2 percent. In Latin America, the annual growth rate was only 0.99 percent. In Africa absolute stagnation—an annual 0.01 percent growth, was characteristic, while in Eastern Europe, including the former Soviet Union, a serious decline of –1.10 percent per annum occurred. Income disparities between the poorest and richest *countries* had a 1:10 ratio in 1913, and a 1:26 ratio in 1950. By 1990, the ratio had increased to 1:40. Income differences among *various world regions*, which had narrowed in the period of state interventions in the peripheries, from a ratio of 15:1 (core to periphery) in 1950 to 13:1 by 1973, actually widened during the decades of globalization in the last quarter of the century from 13:1 to 19:1.³⁵

In Latin America, for example, peripheral status, stagnation, indebtedness, and mass unemployment, as well as the extended

structural crisis of the 1970s and '80s, provided an excellent opportunity for neo-liberal politicians virtually to force their policies on the entire continent. Their demands were spelled out in the principles of the so-called Washington Consensus: "a consensus between the IMF, the World Bank, and the U.S. Treasury about the 'right' policies for developing countries [...] Fiscal austerity, privatization, and market liberalization were the three pillars of Washington Consensus advice throughout the 1980s and 1990s," according to Joseph Stiglitz.³⁶ Gradually this policy was imposed, as much as possible, on the entire developing world. Market fundamentalist ideologies thus acted as a guideline for policies towards the peripheries.

When state socialism collapsed in the Soviet Bloc, this "one-size-fits-all" policy was adopted for, indeed forced upon, the new countries as an IMF "condition" for assistance. This policy, Stiglitz explains, was inappropriate for developing and transforming countries. The advanced countries, "had built up their economies by wisely and selectively protecting some of their industries until they were strong enough to compete with foreign companies [...] Forcing a developing country to open itself up to imported products [...] can have disastrous consequences [...] [The advanced countries] did not attempt capital market liberalization until late in their development—European nations waited until the 1970s to get rid of their capital market controls—the developing nations have been encouraged to do so quickly."³⁷

I should add that advocates of the free market do not themselves, always practice it honestly. The call for open markets sometimes hypocritically conceals policies with the opposite goals. The advanced core countries, for example, are paying nearly one billion dollars a day in agricultural subsidies, which enable their farmers to sell their huge overproductions at prices below their cost of production. These countries often introduce tariffs against Third World textile and steel products as well. As The New York Times has argued, there is an "urgent need to address globalization's imbalances and restore the credibility of the free trade system."³⁸

Forcing a globalized laissez-faire has also been harmful for several peripheral countries because self-regulated market systems cannot work without state assistance in areas either that have incomplete, imperfect markets—which is always the case in developing countries—or that do not have up-to-date information systems. Stiglitz calls attention

Table 1. GDP Per Capita in Eastern Europe, as a Percentage of the Western Figure

Year	Eastern Europe (At first 8 and then 27 countries); 1973 = 100		Eastern European GDP/ Capita as a percentage (Western/Southern GDP/ Capita = 100)
1973	5,522	100	48
1990	6,154	111	38
1998	4,677	85	26

Adapted from Angus Maddison, *The World Economy: A Millennial Perspective* (Paris: Development Centre of the Organization for Economic Co-operation and Development [OECD], 2001), 185.

to the absence of social, legal, and political prerequisites in the former Soviet Bloc. Free-marketization requires the transformation of “societies and of social and political structures,” which must occur in a long, historical process.³⁹

Consequently the most dramatic transformation process of marketization and privatization in Eastern Europe has marched hand-in-hand with great destruction and suffering. János Kornai considers this decline an unavoidable side effect of the positive process, a kind of “transformational crisis.”⁴⁰ Unavoidable factors certainly have contributed, but major mistakes, made under the banner of immediate introduction of a self-regulating free market, have caused an otherwise avoidable additional catastrophe. A premature opening of the countries’ markets, without previous technological-structural adjustment has led to the collapse of agriculture (sometimes by 50 percent) and of a large part of industry (often 25 to 35 percent), and has destroyed jobs, increased unemployment from zero to two-digit figures, and broadened the gap between the region and advanced Western Europe. Over-emphatic “de-stateization” and the sudden setting in motion of uncontrolled market automatism have had an effect similar to the opening of a greenhouse door in the middle of a harsh winter (see Table 1).

It took an entire decade after the collapse of the Soviet bloc for the *best* performing countries to recover their losses and again reach 1989 GDP levels. By 2000, Russian, Ukrainian and Belarusian per capita

GDP stood at only 33 to 60 percent of their 1990 levels, and, except Russia, they may not reach their 1989 levels before 2010.

A comparison of Russia with China also merits special attention. In 1989, the GDP in China was only 60 percent of the Russian GDP, but in 1999, the situation had reversed: Russian GDP was only 60 percent of the Chinese GDP. This change has had social consequences: in 1989, only 2 percent of the Russian population lived in poverty (using a \$2-per-day income level as measurement), but in 1998, the figure had risen to 23.8 percent, with 50 percent of the country's children living in under-poverty-level families.⁴¹

Even considering all the dangerous consequences of polarization, a growing core-periphery disparity, and uncontrolled corporate rule, I still do not accept the one-sided view of globalization that portrays all the advantages going to the rich countries and all the negative consequences hitting the poor ones. This dark portrait does not correlate with a number of facts. Lloyd Reynolds, analyzing the economic growth of the Third World, categorized thirty-seven countries into four groups and found tremendous differences in their reaction to globalization: he distinguished among high growth, moderate-growth, low-growth, and no-growth Third World economies. During the 1970s the growth disparity among the *four peripheral groups* was shocking. The first group attained an annual average of 3.5 percent growth, the second a 2.7 percent increase, the third, only 1.7 percent, and the fourth, 0.3 percent annual growth.⁴² During the entire last quarter of the century, Asia (without Japan) achieved the highest growth rate: 5.46 percent, two-and-one-half times more than Western Europe, and even on a per capita basis, 3.54 percent per annum, which led to a near doubling of per capita income. Several Asian developing countries, those, which, using Angus Maddison's calculations again, had a stagnating peripheral economy for a century (-0.11 percent between 1820 and 1870; 0.38 percent between 1870 and 1913; -0.02 percent between 1913 and 1950, measured in per capita GDP), became rapidly developing, catching-up countries, "small tigers," in the second half of the century, with an annual growth of 2.95 percent between 1950 and 1973, and 3.54 percent between 1973 and 1998.⁴³ Japanese and American investments and multinational companies played a decisive role in generating this spectacular catching-up process. European experiences reflect similar variations in peripheral responses to globalization (see Table 2).

Table 2. *Per Capita Real average GDP Growth per annum*

Region	1950–1973	1973–1998
Western Europe (12 countries)	3.8	1.8
Southern Europe (5 countries)	4.8	2.2
Eastern Europe (8 and 27 countries)	4.0	-0.9

Adapted from Angus Maddison, *Monitoring the World Economy 1820–1992* (Paris: OECD, 1995); 62; and id., *World Economy: A Millennial Perspective* (Paris: OECD, 2001), 265.

The traditional West European core countries had an annual 1.8 percent growth rate during the last quarter of the century, while Portugal had 50 percent higher growth, and Ireland, a former periphery of Britain, roughly 5 percent. The former Mediterranean periphery (and Ireland) gradually caught up with the Western core (see Table 3)

Table 3. *The Catching-Up of the Southern Periphery: GDP/Capita, 1950–1998.*

Year	Western Europe (5 countries)	Southern Europe & Ireland (5 countries)	South as a % of the West
1950	5,503 100	2,685 100	49
1973	12,473 227	8,308 309	67
1998	19,147 348	14,873 554	78

Adapted from Angus Maddison, *World Economy: Millennial Perspective* (Paris: OECD, 2001), 277–78, and 330.

During the last quarter of the century, striking disparities characterized the transformation performance of the former state socialist countries as well. Former Soviet Bloc Central European countries had a 0.73 percent average annual growth, while the Russian Federation had a -1.08 percent, and Ukraine a -2.48 percent average annual decline.

In other words, peripheral countries by no means reacted uniformly. Some profited from globalization, which in the Mediterranean

region and in Ireland generated spectacular catching-up processes. Central Europe profited more, and had a more successful transformation in the age of multinationals and globalization than Russia and the successor states to the former Soviet Union. In 1973, the former Central European state socialist countries had a per capita GDP of only 82 percent of the per capita GDP of the Soviet Union, but by 1998, the relationship had inverted, with the former Soviet Union dropping to 72 percent of the level of the transforming Central European countries.⁴⁴

In success cases such as Ireland, and in the rather relative success case of Hungary in the 1990s, globalization, especially the activities of the multinationals, played the decisive role in introducing modern technology to newly established modern export sectors. It is rather telling that the Hungarian success was basically the consequence of multinational investments: Opel, Philips, Audi, and IBM produced 30 percent of Hungarian exports in 1999.

The European Union played an important role in homogenizing economic levels by assisting backward regions within the EU. Though European assistance for the ten new members will be more limited than that provided from the 1970s to 1990s to newly admitted and, at the time, less developed, countries—only one-quarter of the agricultural, and one-half of the so-called structural fund assistance will be granted today—the new members will still profit from the cohesion policy of the EU.

When political stability exists, when the domestic infrastructure is relatively well-developed, the educational system good, and trained engineers, computer experts, and skilled workers available, when local value systems and religions do not work against international adjustment, globalization may have a positive impact. Domestic abilities and actions play an important role. Certain geopolitical advantages also have a role and can make countries or regions politically and economically more attractive. Infiltration of multinationals, investment from abroad, and a broad market opportunity granted by free trade agreements, in these cases, may make a difference. They may mobilize domestic resources and forces, generating high prosperity and a catching-up process. These conditions existed a century ago when internationalization of the European economy gained speed and, in half a century, led to the catching up of the Scandinavian countries. A similar but more deliberate development trend characterizes the Mediterranean

and Irish catching-up process during the second half, and especially the last quarter of, the twentieth century. It may be repeated in the new EU member countries of Central Europe.

Globalization is thus both a mixed blessing and a mixed curse. In the last century, huge areas of the former peripheries joined the European core. Additional peripheries may be incorporated into the flourishing core during the first half of the twenty-first century, driving Europe towards a yet distant future as a “peripheryless” continent.

NOTES

- ¹ Angus Maddison, *The World Economy: A Millennial Perspective* (Paris: Development Centre of the Organization for Economic Co-operation and Development [OECD], 2001), 127, 362.
- ² William D. Coleman and Tony Porter, “Regulating International Banking and Securities: Emerging Co-operation among National Authorities,” in *Political Economy and the Changing Global Order*, ed. Richard Stubbs and Geoffrey R.D. Underhill (New York: St. Martin’s Press, 1994); see also Richard Higgott and Anthony Payne, eds., *The New Political Economy of Globalization*, vol. 1 (Cheltenham, UK and Northampton, Mass: Edward Elgar, 2000).
- ³ Philip G. Cerny, “The Dynamics of Financial Globalization: Technology, Market Structure, and Policy Response,” in Higgott and Payne, *New Political Economy of Globalization*, 41.
- ⁴ Mark Rupert, *Ideologies of Globalization: Contending Visions of a New World Order* (London: Routledge, 2000), 79.
- ⁵ Alfred D. Chandler, Jr., “Technological and Organizational Underpinnings of Modern Industrial Multinational Empires: The Dynamics of Competitive Advantage,” in *Multinational Enterprise in Historical Perspective*, ed. Alice Teichova, Maurice Lévy-Leboyer, and Helga Nussbaum (Cambridge: Cambridge University Press, 1986); also id., *Scale and Scope: the Dynamics of Industrial Capitalism* (Cambridge: Harvard University Press, 1990).
- ⁶ Lorraine Eden, “Bringing the Firm Back: Multinationals in International Political Economy,” in Higgott and Payne, *New Political Economy of Globalization*, 341.
- ⁷ Paul Knox and John Agnew, *The Geography of the World Economy* (London: Arnold, 1998), 209.
- ⁸ Neither Britain in the nineteenth century, nor the United States in the twentieth have controlled globalization despite their hegemony in other arenas.
- ⁹ Patrick K. O’Brian, *Colonies in a Globalizing Economy, 1815–1948*, London School of Economics, Working Papers of the Global Economic History Network (2004).

- ¹⁰ OECD, *Structural Adjustment and Economic Performance* (Paris: OECD, 1987), 273.
- ¹¹ Jan de Vries, in "The Limits of Globalization in the Early Modern World," presented at the World Congress of Historical Sciences, Session TS07, Sydney, July 3–9, 2005, has demonstrated that the European–Asian trade had only a marginal importance and was mostly monopolized by European companies, which allowed only an "oligopolistic competition." Besides it was mostly trade in non-competing luxury goods.
- ¹² O'Brian, *Colonies in a Globalizing Economy*, 19.
- ¹³ On the case of China, see Harriet T. Zurndorfer, *Imperialism, Globalization, and Public Finance: The Case of Late Qing China*, London School of Economics, Working Papers of the Global Economic History Network (2004): 7.
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CHAPTER THIRTEEN

From West European to World Science: Seventeenth–Twentieth Centuries

ERIC J. HOBSBAWM

I

We live in the information society. The world today rests on the constant transformation of the relations between man and nature (perhaps including human nature itself) by the revolutionary innovations in methods, techniques, and interpretations of what we may call the “natural sciences,” as originally developed in Europe since, roughly, the fifteenth century of the Western Era. Without these innovations, the world neither could nor would be what it is. This chapter deals with the nature and problems of the geographical and social expansion of this practice—let us call it “academic research science”—outwards from its core region of origin, first to the rest of Europe and eventually to other continents.

Let me be clear at the outset that until the second half of the twentieth century we are dealing with relatively and absolutely tiny groups of human beings—still mostly males—however great the material consequences of their activities. Chemistry was almost certainly the natural science with the largest manpower: in 1910 the British and German learned societies for chemistry had a combined membership of some seven thousand persons. (Germany and Britain were the two leaders in the field.) The combined membership of the British and German Physical Societies was about seven hundred.¹ Indeed, the total constituency of those with higher education, from which the vast majority of research scientists were likely to be recruited, was exiguous by our standards. Universities, as we shall see, did not have the central relation to scientific research that they acquired in the nineteenth century, but they may serve as an order of magnitude of the recruiting potential. At the start of the sixteenth century there were about 4,200 students in all the universities in Germany; at the beginning of the eighteenth

century the twenty-eight universities in Germany contained around 9,000 students in all faculties. From 1775–1800, students have been estimated at roughly 1 percent of the age group in the core countries of northwestern Europe, though only at 0.2 percent in Poland.² Since the bulk of the world's population remained illiterate even in large parts of Europe, the history of the development of modern science (though not that of the technology based on it) is a history, if not always of elites, then at least of very restricted minorities.

Modern science developed in a specific geographical zone of Europe, which formed the core urban and commercial development of the high Middle Ages. This was the region in which the number of large cities (over 20,000) trebled between the years 1000 and 1300, and in which 93 percent of substantial cities in 1800 had already been in existence as urban centers in 1300.³ It consisted of a broad belt from the coasts and territories of North-Central and North Italy across the western Alps into the regions leading to the Low Countries via the routes through northern France and the valley of the Rhine. It continued across the Channel into southern England and across northwestern Germany into the home territory of the Hansa cities. Effectively this belt still exists, forming a continuous zone of the richest regions within the European Economic Community as composed before 1995. By the sixteenth century the core area had extended to include most German territories and Bohemia. Nevertheless, even this core region contained relatively backward enclaves, mainly consisting of thinly populated highland and forest areas.

Essentially, what we call modern science, though it rested on a much broader geographical foundation—roughly speaking the area coinciding with Alexander the Great's conquests, that is, the countries between the Adriatic and the Hindu Kush—was developed within this core region and nowhere else. From there it was imported into all other parts of the world between the sixteenth and twentieth centuries. However, intellectually speaking, much of Mediterranean Europe had been reduced from core to periphery. To take an obvious example: in Italy, of the fifty-eight persons making a major contribution to scientific advance in the sixteenth and seventeenth centuries, fifteen came from North and North-Central Italy, but not a single one from the South.⁴

The southern Mediterranean (South Italy and the Iberian Peninsula) must therefore be included in the European periphery. To it we must

add the European peripheral regions in the North—the northern and western parts of the British Isles, Scandinavia, and the Baltic lands—in the Southeast between the Adriatic, Mediterranean, and Black Seas, and on the Russo-Polish eastern plains. Perhaps it is not irrelevant to note that the northern periphery was a region of barbarian invaders (the Vikings) and of areas invaded by them, as were the southeastern and eastern peripheries, from the days of the Huns, Avars, Magyars, and Mongols to those of the Ottoman Turks. Although (primarily German) urbanization and trade extended the influence of the populations from the core eastwards and northeastwards, East-Central Europe, except for Saxony and Bohemia, remained largely unaffected. The following table of the European universities founded before 1450 and active in 1500 gives a rough idea of the relative distribution of intellectuals:

Table 1. Universities Founded before 1450 and Active in 1500

CORE	33
PERIPHERY TOTAL	12
Southern Periphery	9
Northern Periphery	1
Southeastern Periphery	0
East of the Elbe and Danube	2
BOHEMIA, AUSTRIA, SAXONY	4

Source: Hilde de Ridder-Symoens, ed., *A History of the University in Europe: Universities in Early Modern Europe (1500–1800)* (Cambridge: Cambridge University Press, 1996).

II

The changes in the distribution of scientists in Europe since 1500 may be summarized as follows. First, within the core region the center of gravity shifted, speaking approximately, from Italy and the Low Countries in the sixteenth and seventeenth centuries to Great Britain and France in the seventeenth and eighteenth, with France reaching its all-time international peak in the first half of the nineteenth century and

Germany, after a relatively slow start, acquiring its position as the major center of scientific research also in the nineteenth century. By the end of the eighteenth century the core area of science had begun to penetrate into the Central European parts of the Habsburg Empire, though much more thinly than in Protestant Germany. Unlike the marked intellectual movement northeast, from northern Germany along the Hanseatic trade-routes, there appears to have been no comparable migration of scientific activities southeast, from southern Germany.

As for the peripheries, the North was the earliest to be integrated into the core—first Denmark and Sweden; then, in the course of the eighteenth century, Scotland; from the early nineteenth century on, Norway and (mainly via the locally settled Germans) the Baltic countries; and in the twentieth century Finland. Eastern Europe, notably the Russian Empire, hitherto scientifically barren (except for the locally settled urban patrician families like those of Copernicus), burst onto the scientific scene in the early nineteenth century. In spite of a distinguished and lively intellectual and literary tradition, the southern Mediterranean remained virtually outside the scientific movement until the twentieth century. Between 1500 and 1900 my list of scientific achievers (see note 6) contains no more than four names from southern Italy, Spain, and Portugal, compared to twenty Danes and Swedes in the same period. Except in Hungary and, to a small extent along the Slavic side of the Adriatic, the southeastern European record resembles the one of the South.

It is evident that the European core remained the most significant center of scientific advance until the 1930s—or more precisely, until Hitler's destruction of German science. About 75 percent of the scientific Nobel Prizes before 1933 still came from this region (as defined above). Nevertheless, taking a broader view, its importance clearly began to decline in the eighteenth century and, very notably, from the later nineteenth century:

Table 2. Percentage of Scientists from the European Core (1500–1925)

1601–1700	97.6 %
1701–1800	83.1 %

1801–1850	81.0 %
1851–1875	84.5 %
1876–1900	66.2 %
1901–1925	59.6 %

Calculated from 'List of Scientific Advances (1500–1925)', Appendix, vol. 2, *Biographical Encyclopedia of Scientists*, 2nd ed. (Bristol and Philadelphia: Institute of Physics Publishing, 1994).

In the eighteenth century this (modest) decline was primarily due to the rise of scientific activity in Europe's northern periphery; in the nineteenth century to the scientific opening of hitherto fallow regions in Central and Eastern Europe and the intellectual activities of European settlers in the British colonies or ex-colonies (but not, so far as I know, in the Iberian and French empires or ex-empires). Except for Japan and India (which provide one name on my list in 1876–1900 and two in 1901–1925) scientists from Asia, Africa, and Latin America made no mark.

From 1900, the Nobel Prizes in the sciences provide a narrower but more consciously global survey, though the element of political geography in their selection is not to be entirely overlooked. Here, again, the 1930s form a distinct turning point. In the first place they initiate the era when the epicenter of scientific research moves decisively across the oceans, partly, but not wholly, because of the emigration of scientific manpower from racist and authoritarian regimes. This is most obvious in the case of the persons working in the United States, who provided no more than six scientific laureates before 1933 but fifty (or close to the joint total of Britain, France and Germany) in 1933–1960, and who utterly dominate the scene from then on, with 158 prizes (or almost four per year) between 1961 and 2003. In the second place, the Nobel Prizes demonstrate the effective but very patchy penetration of modern scientific research into parts of Asia. Asians had only one Nobel science laureate before 1933 (in 1930) but have gained at least seventeen since then, the majority being Japanese. Once again the acceleration of this development is evident: there were only three Asian Nobel science laureates from 1934 to 1960, three in the 1960s and 1970s, but ten since 1980.

Their number will almost certainly multiply in the future. Nevertheless, it is clear that, at the end of the twentieth century, the scientific achievement of the Asian countries, with the possible exception of Japan, was still well below their recognized potential. Very notably, the Islamic regions, Latin America, and sub-Saharan Africa had not or had only barely begun to participate in the globalization of scientific manpower.

Finally, the Nobel Prizes reveal the continued divergence in the development of the European periphery. Of the Habsburg-Empire successor states, Austria and, above all, Hungary continued to generate Nobel Prizes, though overwhelmingly in emigration, more so than Czechoslovakia; however, none of them could compare with the consistent and impressive performances-per-capita of Scandinavia and Switzerland.⁶ Eastern Europe generated an increasing but nevertheless disappointing number of laureates, in emigration or (as in the USSR) also at home, with thirteen Nobel laureates of Russian origin since 1933. On the other hand, what may be called the void in the southern and southeastern periphery remains. In spite of a distinct turn to the natural sciences in Spain, the twentieth century Nobel laureates from the Iberian and Balkan Peninsulas can be counted on the fingers of one hand.

Four centuries of globalization of scientific research have thus had only modest consequences outside Europe, apart from its massive spread to the countries of British settlement (the United States and the former "dominions" of the British Empire), to Japan, and to the small countries of what was once the northern periphery of Europe, which have probably the highest scientific output per capita for any region (together with that of Switzerland and Israel). At the end of the twentieth century half of the countries in almost any list of the top-twenty states (by output of scientific papers) would be familiar to students of science in 1800. Apart from Russia, East and South-east Europe would only rarely be represented. Apart from Japan, Asia would have a modest presence—India would be ranked twenty-second in the list of countries by publication of scientific papers in all fields—but Latin America, in spite of the rise of Brazil, would not appear at all. In short, we are only at the start of a real globalization of scientific research.

III

What would move societies to import an unfamiliar Western European innovation that had no function or social and cultural location in their societies? Even in Europe it did not fit into either the society or traditions of peasants or their social rulers, a rural albeit literate nobility and gentry. All literate societies have particular groups of men, usually with religious functions, who exercise status or power by means of book-learning. Some of them are expected to ponder the nature of the universe. All rural and urban societies have bodies of practical explorers of and experimenters or manipulators of nature such as craftsmen and plant or animal breeders. The peculiarity of modern scientific research, in its beginnings, lay in the combination of theory and practice (“experiment”) by men with the novel expectation of cumulative “progress” in specific social circumstances. This milieu seems to have been specific to the emerging *bürgerliche Gesellschaft*—the German term simultaneously means “civil” and “bourgeois society”—of the developed parts of Europe (the modern capitalist economy also developed there like nowhere else). The seedbed of modern science was the new “republic of letters,” initially independent of established institutions and consisting of educated laymen with theoretical-cum-practical interests, in close communication with each other and increasingly organized in informal or formal groups and societies (“academies” later usually taken over by the state), with their projects of research and practical improvement and the international scientific periodicals they pioneered.

If in other societies something that we might call science had been practiced, still the social and cultural functions of that science, let alone its intellectual patterns, were not comparable to ours. This discrepancy has long been the essence of the comparative studies of the Greek and Chinese traditions of science, and is the source of much debate among scholars. Here is not the place to present that discussion. However, two examples may illustrate the problem: Indian mathematics and the intellectual universe of the Jews before the European “Enlightenment.”

Indian (or rather Sanskrit) educated culture provided an intellectual locus for mathematical thinking.⁷ The originality of Indian mathematics and its contribution (via the Arabs) to subsequent mathematical

development have been universally recognized. Indeed the teaching of mathematics, not least for the purposes of astrology and the extremely complex processes of calendar-making, seems to have provided a recognized way for families of mathematicians to make a living with the aid of standard and nationally circulating texts. At the same time the limits of the “public sphere” of Indian mathematics are indicated by the fortunes of the school based on “the marvelous discoveries” of Madhava (c. 1360–1420), a Brahmin from southern Kerala. Its works were written in the Malayalam language and script and appear never to have spread further than a few dozen miles from the mathematician’s ancestral estate in Kerala. In effect “while the discoveries of Newton and Leibniz revolutionized European mathematics immediately upon their publication, those of Madhava, Paramesvara and Nilakantha, made between the fourteenth and early sixteenth centuries, became known to a handful of scholars outside Kerala only in the second half of the twentieth century. This was due not to the inability of Indian *jyotisis* to understand the mathematics but to the social, economic and intellectual milieu in which they worked.”

As for the Jews, Christian Europe provided for only limited contacts between their communities and Christians, and the scholarly and intellectual activities so highly cherished among the Jews were overwhelmingly confined to the study and interpretation, mainly by clans of scholar-priests, of the holy texts and their growing accumulation of increasingly subtle commentaries, and to their application to the theoretical and practical problems of Jewish life. A concentration on other intellectual activities was discouraged. The Halakha was hostile even to chess, which may explain why no Jewish name appears in international chess before that of the Frenchman Aron Alexandre (1766–1850). Jews could enter the process of modern science only when they were prepared to leave the ghetto and were (more reluctantly) accepted by non-Jews as members of the wider communities outside it. In effect, this did not happen before the era of the French Revolution.

Indeed, their absence from science before then is remarkable. In retrospect it seems almost incredible that no Jew made a significant contribution to the development of modern mathematics before the nineteenth century. The subsequent transformation was startling. (See Table 3)

Table 3. Birth-Years of Jewish Scientists Listed in *Encyclopaedia Judaica*

	Mathemati- cians	Physicists	Chemists	TOTAL
Before 1800	1	0	0	1
1801–1825	5	0	2	7
1826–1850	6	1	19	26
1851–1875	9	7	45	61
1876–1900	19	21	63	103

Source: *Encyclopaedia Judaica* (New York: Macmillan Co., 1971–72).

However, by the time of Jewish emancipation and self-emancipation, plunging into a world already geared to modern techno-scientific and capitalist society was easy for populations already qualified and anxious to take their place in such a society. The problem on the peripheries was rather how to bring the benefits of scientific progress, essentially a novel importation from the European core, to societies ignorant of and resistant to it, and to determine by what institutions and policies the new science was to be fostered.

Here the question of education is central. Actual scientific research even today rests largely on the postgraduate education of a relatively small minority—in the 1980s, essentially something like the 130–140 science doctorates *per annum* per million inhabitants generated by the typical advanced western country.⁸ The mass operation of a society based on science-based technology requires some mass education of a science-based kind today, though such education did not appear anywhere in the world before the mid-nineteenth century. The poor scientific record of the countries of southern and eastern Christianity and post-medieval Islam shows that the dominance of strongly binding and institutionalized religious orthodoxies inevitably discouraged scientific activity even among minorities.

Before the nineteenth century, institutionalized mass education seems to have been a major factor in one region only, the northern periphery of Europe. Could the small and thinly spread populations of these remote countries have produced so disproportionately large a supply of potential scientists without at least the popular schooling

encouraged by the mass conversion to the vernacular holy books of Protestantism? (The Roman Catholicism of the Counter Reformation encouraged neither an interest in scientific research nor popular literacy.) It seems unlikely. Though the population of England and Wales was consistently six to seven times that of Scotland, between 1701 and 1850, Scotland supplied (by birth or place of education) approximately 30 percent of the scientists from the United Kingdom. The spread of basic education outside the upper classes in society may also explain the appearance of those almost “self-made” scientific innovators who became so familiar in nineteenth-century England: Humphrey Davy, Michael Faraday, William Smith, the geologist, and Alfred Russell Wallace. However, the northern periphery is probably anomalous. In any case this area was more closely integrated into the economic network of the core than any other area, and its cultural connection with northern Germany and the Netherlands was, and remains, strong. Thomas Mann’s novel *Buddenbrooks* was almost immediately successful in what Franco Moretti calls “Hanseatic Europe,” while, until the author’s Nobel Prize in 1929, there was no translation at all west of the Rhine and south of the Danube.⁹

Moreover, the role of the modernizing state is also significant in the northern periphery. In Denmark, which was the first state to introduce compulsory universal schooling, Copenhagen (founded in 1475) “was from an early period the national university, protected by the crown and serving its political interests.”¹⁰ In Sweden and around the Baltic during the Swedish imperial era, the monarchy systematically developed universities, both old and new, to train its functionaries and to reinforce its hegemony.

Indeed, in the development of scientific research, state power, either native or foreign, was usually essential, if only because there were few countries in which it did not take charge of the institutions of secondary and higher education, and create and to varying degrees fund those of research. In the transfer of the research model from core to periphery, state power was indispensable, even if only instrumentally, as in the eighteenth-century Habsburg lands, Prussia, and Russia, after the rulers adopted the values of the Enlightenment, or later, in Japan. The state might even succeed in turning a part of its ruling class or service nobility into the new scientists, as in Japan where in 1890, 80 percent of science graduates and 85 percent of engineering graduates from

the Tokyo Imperial University were from *samurai* families, as compared to 47 percent of medical and 68 percent of law graduates.¹¹ In dependent or colonized territories, the state's role, though sometimes important—notably in colonial India, largely governed by an indigenous cadre of state servants—was less central until after independence. Then, however, it became central, as in Nehru's India.

Two institutions that developed in the European core became central to this project: the university and, since the seventeenth century, alternative or ad hoc centers for exploration and research, such as “academies,” and these provided the major bases for the penetration and development of research into Russia and the communist and anti-imperialist, non-European periphery. In the nineteenth century, the basic location of scientific research came to be the university of the German (or rather Berlin) type, which combines research with large-scale teaching, but, especially since the rise of mass higher education, this combination is ceasing to be the case in most universities, at least below the level of postgraduate teaching. Nationally, or in the European Union internationally, coordinated and non-profit-making research has played an increasingly central role in twentieth-century scientific research. Whether in core or periphery, the future of scientific research will, I suggest, depend on how, and how far, this link between mass higher education and research is, or can be, maintained.

Since the search for truth as such, even if it promised economic miracles, has rarely offered private enterprise adequate returns, profit-oriented capitalist enterprise by itself could not be expected to play a significant part in research as distinct from “development.” Indeed, this is still the case today. Moreover, until the middle of the nineteenth century when some industries born of the discoveries of research of chemistry and electricity emerge, the progress of science was only of academic interest to most businessmen, even though entrepreneurs like Josiah Wedgwood and Matthew Boulton were keen supporters of it. Once they existed, science-based industries certainly provided an incentive to enter research, if only by providing substantially increased employment as well as profit for people with research-training. The role of such industries in actual research remains to be clarified: for chemicals in the nineteenth century, electrical communication in the twentieth and twenty-first, and pharmaceuticals straddling the eras of the chemical and biological revolutions. While it lasted, monopoly

allowed the most successful penetration of business research into high science: the Bell Telephone Laboratories.

How significant were non-official or private groups? Before the second half of the twentieth century three of these need to be considered. The first consists of literate “cultural enclaves,” that is, in the European peripheries, typically, settlers from countries closer to the core or parts of a privileged ruling class imitating foreign models or urban culture. In backward agrarian countries both tend to be separate, often linguistically separate, from the peasant world. Some overseas settlers from European core areas fit into this pattern, but not all. Such cultural enclaves sometimes played a significant role in the general development of science, as they did in the University of Dorpat/Tartu (a largely Baltic German institution) in early-nineteenth-century biology or Trinity College in Dublin (an enclave of the Protestant ascendancy). Why English emigrant communities imported the modernizing European heritage to North America so much earlier than other emigrants (Iberians to Latin America, French to Quebec, and Dutch to the South African Cape) is an important question that cannot be considered here, but they had clearly integrated it into what became the United States by the time of Benjamin Franklin. Most of the other developments of science in “white settler” societies abroad derive from nineteenth- and twentieth-century immigration.

For a time, outside Europe, the second type of group consisted of (western) Protestant missionaries who usually believed that the conversion of the heathen required their education in western as well as vernacular literacy. Local Christians, whether new converts or indigenous, were likely to be more open to western ideas, as in the Middle East, where they became the pioneers of Arab nationalism. In the Far East—notably in China and Korea—and to a lesser extent in the Middle East (e.g. the American University in Beirut), nineteenth-century missionary schools and colleges often became pioneer private universities of the western type in the twentieth century, with continuing links to the countries of origin, notably (in the Far East) to the United States. A comparable medium of intellectual modernization for the Sephardic Jews of the Islamic world was the Alliance Israelite Universelle (founded 1860). It may be observed in passing that the British regime in India showed minimal enthusiasm for missionary endeavor, educational or otherwise.

The third group consists of what the French call the *evolués*, those unofficial modernizing, reforming, or nationally conscious groups for all of whom education was an essential instrument of progress and “science” one of their major symbols. Their role in the eastern peripheries of Europe and in the rest of Eurasia and the Islamic world is not to be overlooked, even where it was secondary to the role of states. In Calcutta the “Hindu College” (now Presidency College, in effect the first modern university) was founded by private subscription in 1817 to introduce western ideas, well before Macaulay’s famous “Minute” of 1835 that, fortunately for the future of Indian intellectual and political life, linked educated Indians to the future language of global intercourse. Such modernization inevitably implied a willing “westernization.” Characteristically, such private groups eventually tended to adopt ideologies of nineteenth-century nationalism or twentieth-century anti-imperialism. The significance of science was both symbolic and real. The translation of the first textbook of chemistry (Lavoisier’s) from French into Polish in 1800, a few years after the final disappearance of the independent Polish Commonwealth, was more than a purely pedagogic enterprise, as was the systematic linguistic “nationalization” of scientific terminology in German, Czech, and several other languages in the nineteenth century. Furthermore, the foundation of a Czech Mathematical Society in 1862 (the year of the foundation of the first Czech-owned bank) and of a Czech Chemical Society in 1866 indicated the existence of a sufficient number of practitioners using the vernacular rather than German.¹² As Miroslav Hroch has observed, “the demand to create an independent ‘national’ science could only be made by a national society in which there was sufficient representation at the highest levels of education and in which scientific institutions existed,” with or without official backing, as in Poland, Czech Bohemia, and Hungary.¹³

Yet in one respect (the “brain-drain”) “national science” remains relevant today. The institutions of the core have compensated and still compensate for the defects of the periphery. Students from the eastern periphery—mostly the Russian Empire and Bulgaria, particularly from genders and communities excluded from native universities—provided one-third of the students of the Swiss universities in the 1880s, but outnumbered the Swiss by 1902.¹⁴ (In 1913 eastern women students alone outnumbered the native Swiss in Geneva).¹⁵ Scientists from

these peripheral regions found it both necessary and easier to work in French, German, or Swiss laboratories, just as young researchers from the British imperial periphery—from Rutherford, to Klug and Brenner—tended to make their careers in the metropolis. Yet the nineteenth-century ideal, actually achieved by the small northern European countries, was a scientific universe, however mobile, consisting of countries capable of training and later employing their own scientists. The Noble laureates until the end of World War II were overwhelmingly people whose active careers began and ended in their native countries. But if we omit the USA, whose scientists increasingly appear to have had a career entirely within its frontiers, a substantial majority of physics and physiology Noble laureates since 1945, though not so much the chemists, appear to have moved from their native country to another. It is at this point that globalization implies not a greater distribution but an increasingly geographical concentration of scientific activity, in effect within the USA, which sends very few scientists abroad, and hardly any permanently. This may not be a permanent state of affairs, although the wealth and the established and available academic resources of the rich world will exclude the formation of new nationally or (given the use of English as the global medium) linguistically separate scientific centers of world significance except in China. Will there be careers in the future like that of the Hungarian Albert Szentgyörgyi (1893–1986, Noble Prize 1937) who worked in Pozsony/Bratislava, Prague, Berlin, Hamburg, Leiden, Cambridge, Minnesota, and again in Cambridge, but began and ended his career in his native country? It is improbable that a researcher of his evident caliber would today settle, as he did, for a chair at Szeged.¹⁶ Will the present phase of geographical concentration give way, once again, to a more widespread distribution of researchers in the world of science? Only the future can tell.

In one respect, however, the fundamental framework of the spread of scientific research from core to periphery remains the same. What was once the transnational European “republic of letters” of the traveling and communicating scholar, in which isolated men from backward regions, like Copernicus and Tycho Brahe, could join the mainstream of intellectual discussion, has transformed itself into the aviation-and-internet-bonded academic “global village” of today. With the rise of fundamentalism and irrational, anti-scientific mumbo-jumbo in the

twenty-first century, our intellectual community of scholars and scientists may once again seem as isolated from the predominant mood of the rest of the world as the “republic of letters” was in the seventeenth century, before the triumphs of the eighteenth-century Enlightenment. But the problems of how irrationalist societies come to terms with the science that allows them to exist, is one which goes beyond the limits of this paper.

NOTES

- ¹ Frank R. Pfetsch, *Zur Entwicklung der Wissenschaftspolitik in Deutschland 1750–1914* (Berlin: Ducker und Humblot, 1974), 340.
- ² Hilde de Ridder-Symoens, ed., *History of the University in Europe: Universities in Early Modern Europe (1500–1800)* (Cambridge: Cambridge University Press, 1996), 303–304.
- ³ Paul Bairoch, *De Jéricho à Mexico. Villes et économie dans l'histoire* (Paris : Gallimard, 1985), 186 and 202–204.
- ⁴ As a measure of the spread of the practice of research in the natural sciences I use the data in the Appendix to vol. 2 of the *Biographical Encyclopedia of Scientists*, 2nd ed. (Bristol and Philadelphia: Institute of Physics Publishing, 1994), which contains a chronological list of “important discoveries since 1500” and the biographical data of the scientists to whom they are assigned. Any such listing is to some extent subjective. This one is probably somewhat biased in favor of persons from Britain and the United States, but the coverage is sufficiently large to give reasonable confidence.
- ⁵ Cf. <http://www.noble.se/search/nationalities.html>, and <http://hipcat.hungary.org/users/hipcat/noble.htm>: for Austria 1901–1932: 4, 1934–2003: 6; for Hungary 1901–1932: 3, 1933–2003: 7. Sweden and Denmark 1901–1932: 10, 1933–2003: 15. Switzerland (minus foreign residents) 1901–1932: 3; 1933–2003: 10.
- ⁶ My sources for this paragraph are the essay on Japanese science in ACLS, *Dictionary of Scientific Biography*, vol. 15, and David Pingree, “The Logic of Western Science: Mathematical Discoveries in Medieval India,” *Daedalus* 132, no. 4 (Fall 2003): 45–53.
- ⁷ Cf. Eric J. Hobsbawm, *Age of Extremes: The Short Twentieth Century, 1914–1991* (London: Michael Joseph, 1994), 523.
- ⁸ Franco Moretti, *Atlas of the European Novel 1800–1900* (London and New York: Verso, 1998), especially figs. 85a and b, pl. 175.
- ⁹ Ridder-Symoens, ed., *History of the University in Europe*, 147.
- ¹⁰ Shigeru Nakayama, “Japanese Scientific Thought,” in ACLS *Dictionary of Scientific Biography*, 15:743.
- ¹¹ Foundation dates from *The World of Learning*.

- ¹² Miroslav Hroch, *In the National Interest: Demands and Goals of European National Movements in the Nineteenth Century: A Comparative Perspective* (Prague: Charles University, 2000), 79.
- ¹³ Michael George Mulhall, *Dictionary of Statistics, 1836–1900*, 239.
- ¹⁴ L. Mysyrowicz, “Les étudiants d’Europa Orientale à Genève,” *Revue Suisse d’Histoire* 25, no. 4 (1975): 515, 524, 527.
- ¹⁵ For his biography, see “Noble eMuseum.”

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